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Clinton's Tortuous Path Through a House Vote

Presidential Arm-Twisting Pays Off As Budget Package Clears One Hurdle

By Michael Winick
New York Times Service
WASHINGTON — If politics is theater, as the skeptics say, this was classic Hitchcock, with a very large dose of Frank Capra.
There on the House floor Thursday night, Bill Clinton's budget package and his presidential campaign to credibility were like Eva Marie Saint clinging to the face of Mount Rushmore in "North by Northwest." Mr. Clinton's Democratic supporters held a 216-to-214 margin.
Four Democrats still had not voted.
Two of them, David Minge of Minnesota and Pat Williams of Montana, had been considered likely to vote against the measure, bringing the tally equal to the 216 seats. The third, Ray Thornton of Arkansas, was sure to support it, giving the year's one-vote edge again.
That seemed to leave Mr. Clinton's fate up to the Majority Republican, a first-term Pennsylvania Democrat who had voted against the package in May, when it first came before the House.
In the pandemonium, she stood at the front of the House chamber. Sander M. Levin of Michigan, a supporter of the measure, was grasping her by the shoulders, his face inches from hers, struggling to be heard above the roar of the 432 other lawmakers on the floor. Speaker Thomas S. Foley of Washington, jaw tight, stood nearby.
Republicans were flooding the chamber with photocopies of a recent article from The Philadelphia Inquirer and chanting, "Goodbye, Majorone." It was headlined, "Margolis-Mezvinsky will again cast vote against Democrats."
Then the House — lawmakers, aides, packed gallery, press — fell utterly silent.
Finally, Ms. Margolis-Mezvinsky and Mr. Williams approached the speaker's desk, filled out green cards signifying yes, and presented them to the clerk. Mr. Minge and Mr. Thornton abruptly turned in their yeas, and Mr. Clinton's budget proposal was pulled, abruptly and at the last second, back from the precipice.
Ms. Margolis-Mezvinsky, who comes from a conservative district, had cast a potentially career-wrecking vote. Did the Democrats have some votes in reserve? Probably, but that is part of the theater, too.

Dan Rostenkowski of Illinois, who negotiated the budget package with the Senate, stood outside the big door of his office just off the House floor, tears welling up in his eyes and tucking down his face.
"I guess they focused on what was important for the country," he said.
Not long after dawn broke, the Democratic whips in the House went to the lash.
At 9 A.M., the entire pack met to prepare a list of wavering Democrats and decide which of them would bird-dog which undecideds. At 10:30 A.M., a group of about 15 whips and other lawmakers met for a progress report. They met again and again and again — at 1:30, at 4, at 6, and just before the breathlessly close vote at the end of a draining day.
Sometimes the targets actually wanted to be lobbied. On Thursday, it was more of a varmint hunt. The undecideds wanted pressure to vote for a tax increase about as much as Iowa wants more rain, and so they tended to vanish. That forced the Democratic leaders to stage meaningless votes and quorum calls to flush them out of hiding and onto the House floor.
There, like big, expensively dressed and coiffed raccoons caught in car headlights, they were pounced on by the whips and relentlessly bludgeoned with promises of favors and political support. If that didn't work, they were hauled before Mr. Foley or called in for sessions with administration heavies.
Or with himself. Bill Sarpalis of Texas talked by phone with Mr. Clinton four times on Thursday before deciding, about an hour before the vote, to switch from foe to friend. The president hit him with right and left hooks: a pledge to schedule a vote in Congress on a balanced-budget amendment, and the news, at 8 P.M., that 67,219 low-income taxpayers in his district would receive an extra \$109 million in tax credits next year should the package pass.
"That's pretty impressive," Mr. Sarpalis said.
Norman Y. Mineta of California, as loyal a Democrat as exists, was also rumbling about voting "no" until Mr. Clinton called. Mr. Mineta, a transportation subcommittee chairman, was angry because revenues from the 4.3-cent

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GERMANS FREE AND DEPORT A TERRORIST — Abbas Hammadi, a Lebanese guerrilla, in Frankfurt on Friday as he headed for deportation to Beirut. Mr. Hammadi kidnapped two Germans in Beirut in an unsuccessful attempt to gain the release of his brother Mohammed Ali Hammadi, convicted in the 1983 hijacking of a TWA jet. There has been speculation that he was freed as part of a deal with Bonn that led to the release of German hostages in Lebanon. He has served half of his 13-year sentence.

Owen Blames Stalemate on U.S. Push for Air Strikes

Balkan Mediator Fears NATO Bombing Plans Will Undermine Accord

By Paul Lewis
New York Times Service
GENEVA — Lord Owen, the Balkan mediator, strongly condemned any unilateral air strikes in Bosnia-Herzegovina on Friday, making clear that he blamed the Clinton administration's recent burst of interest in the use of air power for many of the difficulties confronting his attempt to negotiate an end to the civil war.
Opposition to the proposed air strikes intensified as NATO ambassadors prepared to meet Monday in Brussels to discuss measures aimed at stopping Bosnian Serbs from "strangling" Sarajevo.
[The U.S. secretary of state, Warren M. Christopher, warned rebel Serbs in Bosnia on Friday that they must ease their siege on the Bosnian capital or face military action. Reuters

reported. After talks at the Aviano air base in northern Italy with the NATO secretary-general, Manfred Wörner, Mr. Christopher said a final decision should be taken after the Brussels meeting.]
Speaking at a press conference the day after he announced a weekend pause in his efforts to negotiate an agreement among the three Bosnian factions, Lord Owen said he needed air power "in reserve to prevent floating" of agreements after they had been reached.
But he insisted that "it is important military activity does not drive the political process."
"The most striking thing is, that up until the air strikes came up in front of everybody, the first five or six days we had a better dialogue than at any time in the last year," he said.
[The commander of UN forces in Bosnia, General Francis Brigueonnet of Belgium, made clear his deep concern Friday that the threats could expose his 9,000 troops to retaliation. Reuters reported.]
"I am here and have to take account of the real situation on the ground," he said. "And I can tell you that it is a major worry for me." He added, "It is easier to make threats than to carry them out."
Lord Owen indicated that the peace negotiations, which are to resume Monday, still face serious difficulties, with the warring factions far apart on the boundaries of the three new ethnic republics they are trying to create in Bosnia-Herzegovina, and particularly on the status of Sarajevo.
Lord Owen's strong opposition to air strikes came as the NATO council prepared to meet in

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Parliament Gives Japan's New Prime Minister a Workable Majority

TOKYO — A new era of Japanese politics officially began Friday night as parliament handed the reins of government to Morihiro Hosokawa, who rose to the top by challenging the nation's entrenched bureaucracy and the pro-business conservative power structure that has run Japan for four decades.
Mr. Hosokawa, flushed his exuberant smile and then offered a deep bow as the lower house of the Diet elected him prime minister for the first in 38 years who did not represent the Liberal Democratic Party.

"One era has ended," he said after the vote. "A new chapter of history begins."
The 55-year-old descendant of warlords won 262 votes for an easy victory over the new Liberal Democratic leader, Yohsei Kono, who got 224.
The figures indicate that he got support from more than a dozen independent Diet members as well as from what the Tokyo press calls the "Not-LDP" alliance. If he can continue to get that much support in the 511-member chamber, Mr. Hosokawa will be able to pass his legislative program.
In a further symbol of change sweeping Japan's political world, the traditionally conservative and male-dominated

Diet elected Takako Doi, a fiercely liberal female member of the Socialist Party, to be the speaker of the House.
The transformation of power was carried out with great ease and little noise in the Diet's lavishly mahogany-paneled chamber.
Members of the seven-party coalition that Mr. Hosokawa heads were in a celebratory mood. Members of the Liberal Democratic Party, which lost its governing majority in last month's national election, were alternately sullen and languid during the session that officially ended their long period of control.
The Liberal Democrats, signaling their intention to be

belligerent in their new role as the opposition, had blocked the election of the new prime minister on Thursday and tried to do so again Friday night. Liberal Democratic members rose to their feet and roared with outrage over a minor procedural error by a house clerk. But the play only delayed Mr. Hosokawa's election for an hour.
Because of the Liberal Democrats' successful delays Thursday, there was no government in place Friday. That meant there was no cabinet member to attend the memorial ceremony — a crucial annual event in Japan — honoring the

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50 Years Later in Berlin, Jewish School Lives Again

By Rick Atkinson
Washington Post Service
BERLIN — For the first time in more than half a century, a Jewish high school in Germany opened its doors, another small step in the rebirth of a culture all but obliterated in the Holocaust.
Twenty-four students filed into the Jewish High School in Great Hainburg Street in central Berlin at 10 A.M. on Friday, returning to classrooms last occupied in 1942.
"Today's a great day for the Jewish community," said Jerzy Kanak, chairman of Berlin's main Jewish organization. "It's a chance for Jewish culture in a city that once was decisively stamped with it."
Escorted by their parents, the bewildered students worked their way through reporters outside the school auditorium, pausing long enough to explain why they had chosen this school.
For 13-year-old Elena Rosenberg, who arrived in Berlin from Moldova two years ago, "It's a chance to learn about Judaism, about

Jewish culture." Max Goldberg, also 13 but born in Berlin, cited the chance to learn Hebrew. Daniel Sikirski, an emigrant from Moscow, spoke of "getting a good diploma so I can go to college" to become a computer programmer like his father.
Nearly half of the students, like Elena and Daniel, are Jewish immigrants from the former Soviet Union, according to the principal, Uwe Mull. They are among the 2,500 or so Soviet Jews now living in Berlin, which, with a total population of 3,200 Jews, has Germany's largest Jewish community.
"For many of them, they're starting from scratch," said Dr. Roman Skolko, a Polish-born physician and one of five board members at the new school. "Our job is to bring Judaism back to them, because Stalinism killed it. We know this is our historical task."
It also recalls much of what was lost. The modern Jewish community in Berlin had its roots in the 17th century, when the Great Elector, Frederick William, offered protection to

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REMEMBER THE BOMB — A Hiroshima woman weeping Friday for victims of the 1945 atom-bombing. Page 5.

Dow Jones	Up 11.46	3,580.43
Trib Index	Up 0.05%	105.92
The Dollar	1.697	1.7117
New York	1.4975	1.4962
DM	104.425	104.20
Yen	5.9268	5.9356

Kiosk U.S. Will Attend Test Ban Meeting

WASHINGTON (APF) — The United States will attend a United Nations conference on banning nuclear testing after the White House and the State Department decided that not attending the meeting might alienate developing nations, a U.S. official said Friday.
The 120-nation conference, to take place in New York on Tuesday and Wednesday, will discuss whether to amend the 1963 treaty on above-ground nuclear testing with a ban on all testing. The United States objects to such a broad international conference for reaching a comprehensive test ban, preferring consultations among the world's five major declared nuclear powers to reach a ban in 1996.
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On the Road to Prosperity, Rates Aren't the Only Fuel

By Lawrence Malkin
International Herald Tribune
NEW YORK — After the collapse last week of the European Monetary System's exchange-rate mechanism, the world is waiting for lower interest rates. They seem to be the preferred way to restore prosperity everywhere, but are they enough?
In the short run, economic specialists said, interest-rate cuts are the only way to work down the public and private debt that piled up during the borrow-and-spend excesses of the past decade. That debt itself now serves as a drag on what might otherwise be a normal cyclical recovery, and forecasts for Europe have been only modestly improved by the relaxation of the ERM fluctuation bands this week.
The agonizing passage of President Bill Clinton's deficit-reduction package through Congress demonstrates the difficulty of changing the fundamental attitudes and government programs built up in the past decade. The suspicion remains that the economy needs much more, although no one is quite sure what.
The problem for all countries is that this is not just the typical postwar business cycle in which companies take a year to work off excess inventory and then start up again, but the end of a historic cycle such as that in which consumer exuberance crashed at the end of the 1920s, or the railroad overbuilding that helped produce the depression of the 1890s.
"The truth is," said A. Gary Shilling, a consultant who has predicted a global slowdown for several years, "that we all lived too high on the hog in the 1980s, and we now must work off

Shares Set Records

The London and Paris stock exchanges rose to record closing levels Friday as investors appeared convinced that lower European interest rates were just around the corner. Share prices also closed at a high for the year in Frankfurt and advanced strongly in Milan. (Page 9)
Moreover, he noted, the traditional transition mechanisms of recovery show signs of breakdown. Government fiscal stimulus has been blocked by budget deficits, and the payoff from devaluation is being hampered in by low-wage and price competition from newly industrialized countries.
In the United States more than in Europe, a revival in consumer spending has been blocked by debt, growing income inequality between rich and poor, and fear of unemployment.
Gerard Vila, chief economist of the WEFA forecasting concern, warned that low interest rates may not be the magic they once were because the most immediate beneficiary traditionally is construction — not exactly what is needed with a glut of skyscrapers cluttering

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Open House at the Palace

London Tourists Peek at Queen's Digs

By William E. Schmidt
New York Times Service
LONDON — Over the whine of saws and vacuum cleaners, work crews raced Friday to put the finishing touches on the most eagerly awaited opening of London's summer season, an eight-week exhibition of royal wealth and romance tantamount to the nation's.
It is the public premiere of Buckingham Palace, the official residence of the royal family, which for the first time will open its gates to paying visitors at 9:30 A.M. Saturday. A full day before tour tickets went on sale, the anxious were already standing in line. About 15 people were camped out Friday morning in nearby St. James Park, waiting to hand over the equivalent of \$12 each for tickets.
"Who wouldn't want to see how they live, to see what their house is really like?" asked Mary Dunn, 65, a New Zealander and fan of the royal family who spent Thursday night in the park in a sleeping bag. Besides, he said, he believed there was some honor in being the first ordinary New Zealander to visit the palace.
On the streets around the park and the palace, where thousands of tourists daily dodge the swirl of traffic to catch a glimpse of the Changing of the Guard, or strain for a view of the

mounted Horseguards, palace attendants have erected a labyrinth of rope barriers that, hopefully, will bring some order to the expected crush of ticket seekers and ticket holders.
Hidden in the trees near the park, they have even erected a stand of portable toilets, a civil gesture that nonetheless touched off an architectural controversy earlier this week. After local Westminster officials derided the toilets as an eyesore, Today, a London tabloid, reported their complaint under the front-page headline: "Your Thrones Are Ugly, Ma'am."
With the number of overseas visitors in London nearing a record, the palace is destined to be one of the toughest tickets in town this summer. Only about 8,000 a people a day can wend their way through the marbled galleries and gilded apartments, with most of the tickets sold on a first-come, first-served basis to anyone willing to wait in line. The tours run through Friday, Oct. 1.
But the patient will be well-rewarded. While the tour is confined to ceremonial rooms, much like tours of the White House in Washington, it will afford for a first glimpse of the royal family's private art collection, including seldom-displayed paintings by Van Dyck, Rem-

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Real Estate Reality in Hong Kong: No More Gravity

By Kevin Murphy
International Herald Tribune
HONG KONG — Spooky from Utopia could be the ticket to apartment living bliss, but nothing is certain now that Hong Kong's volatile residential property market has entered another dimension.
"It's getting pretty crazy," said Spooky Shen of the Utopia real estate agency, a sleek veteran of the costly scramble for accommodation, which is now defying gravity and fears about Hong Kong's return to Chinese rule in 1997.
For expatriates who do not get housing allowances, less-than-glamorous shoe-box accommodation shared with others now costs roughly \$5,000 to \$8,000 a month in places where "colonial charm" means it hasn't been painted since Queen Elizabeth II was a teenager, and "green views" describes the fluorescent brown of the tropical slime on the building next door.
Driven by the British colony's booming economy and Chinese funds hiding from inflation and currency devaluation at

home, property prices recently have outstripped affordability measures achieved in 1981, the peak of the last great boom.
The upsurge carries rental rates along with it, as tenants who have recently learned of 40 percent rent increases can attest.
"You can buy a house on an acre of land at home for the same price people pay for a month's rent here," said Simon Alderdice, a young New Zealander lured like many from slow-growth or no-growth economies by the chance to profit from China's rapid growth.
"The American investment houses tend to be quite generous and it's driving the market," said Richard Phelps, director of human resource consulting at Towers Perrin Forsters & Crosby Inc., referring to contracts under which mid-ranking executives get apartments renting for \$5,000 to \$8,000 Hong Kong dollars (\$8,400 to \$10,300) a month, plus management fees and local taxes.
"It's probably going to get more expensive during the rest of the year," said Mr. Phelps, of a market in which true luxury is

not having to know how square footage, the standard real estate measure, translates into actual living space.
"If all the multinational groups were to put their foot down, the market would come down," Mr. Phelps said. "But generally they're weak, they keep paying."
With a dearth of spacious apartments that appeal to expatriates, and unfettered by rent-control legislation, landlords tend to respond in the style that made Hong Kong's free-wheeling reputation.
In the upper-middle to luxury class market — where people don't blink at paying 100,000 Hong Kong dollars for a spacious hilltop apartment with views of the hyperactive port and stunning cityscape — prices rocketed up by 70 percent over the last year.
Anecdotal evidence suggests that the momentum is gaining, with values having grown by about 30 percent in the last few months, bringing Hong Kong up to Tokyo prices and far

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Rabin's Style: Getting Tough to Promote Broad Goals

By David Hoffman
Washington Post Service

JERUSALEM — The phone rang in the Tel Aviv high-rise apartment of Prime Minister Yitzhak Rabin in the early hours of July 16. The caller was Danny Yatom, Mr. Rabin's military secretary, who told him that another round of Katyusha rockets had landed inside northern Israel.

The call was the culmination of a series of events that led Mr. Rabin to summon his cabinet for an emergency meeting at the Defense Ministry. There, according to participants, he unveiled plans for a massive aerial attack to strike back at Hezbollah, the Shiite Muslim guerrillas who fired the rockets, and to force thousands of Lebanese civilians to flee northward.

How Mr. Rabin decided to unleash the offensive opens a window on his leadership of Israel. According to Mr. Rabin's intimates and outside analysts, the weeklong fighting underscored his preference for dramatic use of force to advance broader goals.

When he took office a year ago, Mr. Rabin seemed to many in Israel and abroad to be poised to negotiate peace. His Labor Party was committed to territorial concessions. He formed the most leftist government in many years, canceled half of the Jewish settlements

under construction in the West Bank, and promised an agreement with the Palestinians within nine months. But there is another side to Mr. Rabin that has proven much more important over the last year. He kept the defense portfolio for himself, and has demonstrated repeatedly that he will react aggressively —

NEWS ANALYSIS

critics say harshly — when he thinks national security or personal security of Israelis is at stake.

When five Israeli soldiers were killed by gunmen of the Hamas Islamic resistance movement in the West Bank and Gaza Strip, Mr. Rabin ordered the largest peacetime deportation of Palestinians in Israel's history. When 15 Israelis were killed in a spate of stabbings in March, he ordered the occupied territories closed, and has kept the gate partly shut ever since. When Hezbollah guerrillas killed five Israeli soldiers inside Israel's self-declared "security zone" in southern Lebanon, he ordered the most widespread air strikes on Hezbollah targets since the 1982 war.

"What is the common denominator?" asked Ephraim Sneh, a Labor member of the Knesset who is close to Mr. Rabin. "These are unprecedented achievements

— tough measures that no previous government dared to take. We promised security and peace — we have proven we are serious about security."

Mr. Rabin "is the quintessential Nixon-Kissingerian man," said Shai Feldman, an analyst at Tel Aviv University's Jaffee Center for Strategic Studies. "He embodies the mixture of force and diplomacy. He is very much a believer that problems don't have military solutions, but he also believes in the Kissinger dictum that you have to act with force to create conditions for a diplomatic resolution of the problem."

Mr. Rabin, army chief of staff during the 1967 war, has long been inclined to use force to alter the course of events. In his memoir, he recalls that as ambassador to the United States in 1969, he urged Prime Minister Golda Meir to launch "deep-penetration raids" at military targets to halt Egypt's shelling of Israeli forces across the Suez Canal.

Behind Mr. Rabin's latest actions, analysts see a larger motivation. Mr. Feldman said Mr. Rabin is trying to prepare Israel psychologically for a peace treaty, a "grand deal" that may require painful sacrifices. At the same time, he added, Mr. Rabin is using force to "neutralize the opponents of the process and those who can torpedo it — the Hamas and the Hezbollah."

Mr. Rabin's dramatic moves are a sharp contrast to the status-quo approach of his predecessor, Yitzhak Shamir, a one-time spy whose trademark was to sit tight and avoid dramatic change.

Critics respond that after each dramatic use of force, Mr. Rabin has looked to the United States for cover, and then failed to reap diplomatic gains.

Two senior Israeli officials who saw the Lebanon operation unfold said Mr. Rabin was more focused on the military aspects, and on reassuring Israelis about their security, than on broader strategic gains.

Eschewing a ground offensive, the Israelis fired 22,000 artillery shells in seven days, largely concentrated on villages believed to be Hezbollah strongholds. An estimated 136 Lebanese, mostly civilians, died in the fighting. Two Israeli civilians and one soldier were killed.

"I think Rabin understands the Israeli psyche very well," said Mr. Feldman. "People on one hand are essentially for holding up a strong stick against the terrorists and infiltrators and so on, but on the other hand there is a considerable, accumulated fatigue. You have to get it done quickly. The imperative of doing something with minimal Israeli casualties is very strong."

WORLD BRIEFS

Cabinet Resigns in Georgian Turmoil

TBILISI, Georgia (AP) — Georgia's cabinet resigned Friday, shaken by budget fights with parliament and by remarks by the legislature's chairman, Eduard A. Shevardnadze, that civil war and economic upheaval had pushed the nation toward disintegration.

Parliament voted 127 to 19 to accept the resignations. Prime Minister Tengiz Sigua was expected to stay on as head of a caretaker government until a new cabinet is formed.

Mr. Shevardnadze, the former Soviet foreign minister, said he agreed that the ministers should step down. The government has been in growing turmoil for months because of a costly war with separatists in Georgia's northwestern province, Abkhazia. But the immediate provocation for the resignation was parliament's rejection of the cabinet's proposed budget.

Hard-Liners Rescind Yeltsin Decree

MOSCOW (AP) — Hard-line lawmakers struck again Friday at President Boris N. Yeltsin's attempt to dismantle Russia's Communist-era economy, canceling a presidential decree on the privatization of state enterprises.

The Supreme Soviet, Russia's standing legislature, had last month suspended part of Mr. Yeltsin's program for selling off state-owned businesses. Mr. Yeltsin, who was on vacation at the time, returned to Moscow to issue a decree reversing the legislature's vote and expanding the number of businesses subject to privatization from 2,000 to 3,000 this year.

Lawmakers hit back at a special session Friday, voting 140 to 15, to suspend Mr. Yeltsin's latest decree. They also voted to ask the Constitutional Court to review the matter.

Rift on U.S. Envoy to Bandouin Rite

BRUSSELS (AP) — Former President Gerald R. Ford will attend the funeral of King Baudouin on Saturday after Washington's original choice of a former vice president was rebuffed as a slight to Belgium.

U.S. sources in Brussels said Friday that Mr. Ford and his wife, Betty, would attend the rite for the king, who died a week ago of heart failure. The Clinton administration had earlier said that former Vice President Walter Mondale would attend the funeral.

But the news of Mr. Ford's attendance came too late to appease the Belgian media. The daily *La Libre Belgique* noted that Japan was sending Emperor Akihito and that Queen Elizabeth II was representing Britain. "Clinton sends a man from the third rank," complained the newspaper *Het Belang van Limburg*, referring to Mr. Mondale.

5 Blacks Die on South Africa Train

JOHANNESBURG (Reuters) — Five black commuters were killed and five wounded Friday on a train near Johannesburg, as gunmen ordered women to lie down and fired upon male passengers.

The police said the attack suggested that a security crackdown in townships east of Johannesburg was forcing assailants to seek easy targets. More than 140 people have been killed in the townships in a week.

"It might well be that the security force presence in the unrest areas is making life difficult for the perpetrators of violence," said a police spokesman, Eugene Opperman.

Gas Explosion Kills 2 Near Toronto

HAMILTON, Ontario (AP) — An explosion caused by a gas leak destroyed a two-story building here Friday, killing two people and injuring seven others, officials said.

A fire department spokesman, David Cossette, said two people had been buried in the rubble of the demolished building in Hamilton, near Toronto. "There's no chance they'd be alive right now," he said.

The blast, which the police said was caused by a gas leak, destroyed a grocery store on the first floor and four apartments on the second.

Turk Denies a Report on Hostages

ANKARA (AP) — *Continued* mounted Friday over the fate of six Western tourists held hostage by Kurdish rebels amid conflicting reports that two had been released.

The Turkish interior minister, Mehmet Gazioglu, was reported as saying the rebels had released two of the tourists in Van, in eastern Turkey. But shortly after the report was released by the semi-official Anatolian News Agency, the ministry denied it: A spokesman for Mr. Gazioglu said that the minister had only spoken of reports that some of the foreigners could be freed during the day.

At least six foreigners — four Frenchmen, an Australian and a Briton — are being held by rebels of the separatist Kurdistan Workers Party. They were seized on July 5 near the eastern town of Tuzluca.

12 Are Reported Slain in Kashmir

NEW DELHI (NYT) — At least 12 people were reported killed and scores wounded Friday in gun battles between Indian troops and pro-independence militants in the state of Jammu and Kashmir and in several other towns in the Vale of Kashmir in a fifth straight day of clashes.

The incidents took place during demonstrations against reported killings of civilians by soldiers, according to news reports. Troops reportedly fired tear gas into crowds estimated at several thousand at the Hazratbal shrine area in Srinagar, the state capital, and then chased the Kashmiris through the streets, swinging cane staves.

Throughout the week there have been protests and arrests in Srinagar. The rebels also ordered an indefinite shutdown of markets. According to news reports the call has been successful. At least five districts in the Kashmir valley have shut down.

Italian Police Chief Is Asked to Stay

ROME (Reuters) — The Italian government, rocked by a wave of unresolved bomb attacks, on Friday rejected the resignation of the national police chief.

Sources close to the government said the cabinet reaffirmed "its full and total faith in" the chief, Vincenzo Parisi, and asked him to remain on the job.

Christopher Upbeat After Mideast Tour

DAMASCUS — Secretary of State Warren M. Christopher reported some progress as he ended his Middle East peace mission on Friday.

Earlier Friday, in Jerusalem, Mr. Christopher said he was "full of hope and enthusiasm" that the process has been salvaged and is back on track.

But he cautioned that "there have been no indications of a breakthrough or stunning achievement on this trip."

Mr. Christopher met for the second time this week with President Hafez Assad of Syria before departing for the U.S. Air Force base at Aviano, Italy, to review preparations for NATO air strikes in Bosnia-Herzegovina.

"There is some progress, and many difficulties," Mr. Christopher said of the search for peace in the Middle East. No date was set for peace talks to resume in Washington, he said.

The secretary of state met with Mr. Assad for two hours and said he gave Mr. Assad answers to questions the Syrian leader had requested that he ask the Israelis. Mr. Christopher refused to discuss what the questions were.

The Syrian foreign minister, Farouk Shara, said his government was seeking a comprehensive settlement that would deal with issues not only between Israel and Syria, but between Israel and the other negotiating partners, including the Palestinians.

"Resolving the Arab-Israeli conflict is not a simple thing," said Mr. Shara. "It is a thorny, difficult issue."

Mr. Christopher began his Mideast mission on Monday. As he traveled from capital to capital in the Mideast over five days, he sounded increasingly optimistic.

He placed particular emphasis on trying to bring Israel and Syria closer to an agreement for return of the Golan Heights to Syria.

3 Israeli Soldiers Killed in West Bank

JERUSALEM — A kidnapped Israeli soldier was found slain in the West Bank on Friday and two others were killed when Palestinian gunmen fired on an army outpost in the occupied territory.

The killings occurred as Secretary of State Warren M. Christopher wound up a Middle East trip intended to revive Arab-Israeli peace talks.

Israeli cabinet ministers demanded a tough response to the killings, but one official said renewed violence should not be allowed to slow the peace process.

"Much as we are dismayed by the incident, we won't let it cloud the positive results of the Christopher visit," said Uri Dromi, director of the government press office.

At an army post outside the village of Deir Balout, two gunmen got out of a car bearing West Bank plates and opened fire on soldiers at a roadblock, an army statement said. Two soldiers were killed and a third returned fire, killing one gunman and wounding the other, the army said.

The wounded gunman escaped, and the army ordered a curfew on the area.

Earlier in the day near Ramallah, searchers found the body of a 20-year-old soldier along a roadside.

Army radio quoted Palestinian sources as saying that Islamic Jihad, a Muslim fundamentalist group opposed to the talks, was suspected of abducting and killing the soldier.

The last time an Israeli soldier was kidnapped and killed, Israel deported more than 400 Palestinians from the occupied lands to southern Lebanon. The expulsions stalled peace talks for weeks.

The army said the soldier was abducted Thursday evening at an intersection in the Ramallah area where he was trying to get a ride to Jerusalem.

According to radio reports, another soldier saw him struggling with three Palestinians who drove away. The soldier flagged down another car and went after them, but the first car got away.

The dead soldier's body was found before dawn in a charred car in the Arab village of Binayra, near Ramallah.

Dozens of suspects were detained in house-to-house searches. The deaths bring to 144 the number of Israelis killed in the 5½-year-old Palestinian uprising against Israeli rule in the occupied lands.

Earlier in the day near Ramallah, searchers found the body of a 20-year-old soldier along a roadside.

Army radio quoted Palestinian sources as saying that Islamic Jihad, a Muslim fundamentalist group opposed to the talks, was suspected of abducting and killing the soldier.

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8 Confirmed Dead in Shenzhen Explosions
Fire fighters cooling the ruins of a chemicals warehouse on Friday in Shenzhen, China, as the official toll in two explosions in the city reached eight dead and more than 100 injured. The blasts, triggered Thursday by an acid leak, started fires that raged for 15 hours. Rescue workers were still searching for victims, and reports said as many as 70 people may have been killed.

A New Threat From the Khmer Rouge

PHNOM PENH — The Khmer Rouge would not end until the guerrilla group was admitted into the new government.

The Communist guerrilla group said in its daily broadcast that it had given an unspecified number of weapons to Cambodians throughout the country to fight the "puppet authorities" until they joined forces with the Khmer Rouge.

Rouge in a government and army. The Khmer Rouge describes members of the government who served in the previous administration as "puppets" of Vietnam because their regime was installed by Vietnam after it toppled the Khmer Rouge in 1978.

"The people will carry the weapons until Cambodia has a national government and army including the Khmer Rouge," the group said. The Khmer Rouge killed hun-

dreds of thousands of Cambodians during its three years in power. After Vietnam invaded, the guerrilla group was forced into the jungles along the Thai border, from where it fought the previous government.

A government — led by the United National Front for an Independent, Neutral, Peaceful and Co-operative Cambodia, known by its French acronym, *Fuincpec* — was elected in a UN-organized poll in May. The Khmer Rouge boycotted

the election but have since been trying to join the government.

It has offered to give up the 20 percent of the country it controls as well as its fighting force of 10,000 if it has some advisers in the government.

RELIGIOUS SERVICES

- AMSTERDAM**
CROSSROADS INTERNATIONAL CHURCH, 1115 Amsterdam, 10:30 a.m. / Kids Welcome, De Oosterveld 3, Amsterdam info. 020-40-1516 or 020-40-4199.
- FRENCH RIVIERA**
CORNERSTONE CHRISTIAN FELLOWSHIP, 11150 a.m. / Paddy James 34, (August, Greece and Gen. Yague), International, English Speaking, Tel.: 259-9557.
- MADRID**
COMMUNITY CHURCH, Worship and Church School at 11:30 a.m. / Paddy James 34, (August, Greece and Gen. Yague), International, English Speaking, Tel.: 259-9557.
- MUNICH**
INTERNATIONAL COMMUNITY CHURCH, Evangelical, Bible Believing, services in English 4:15 p.m. / Sunday at Erlanger Str. 10 (U2 Theresienstr.) (089) 55-4574.
- MONTE CARLO**
INT'L FELLOWSHIP, 9 Rue Louis-Nolan, Sunday Worship 11:00 & 6 p.m. / Tel.: 92.16.56.00.
- PARIS and SUBURBS**
HOPE International Church (Evangelical), Sun. 9:30 a.m. / Hotel Opera, Me 1, Esplanade de la Defense, Tel.: 47.73.53.54 or 47.75.1427.
- SAINT JOSEPH'S CHURCH (Roman Catholic)**, Masses Saturday Evening 6:30 p.m., Sunday, 9-15, 11:00, 12:15 and 6:30 p.m. 50, avenue Hoche, Friele Str. Tel.: 45.27.28.56. Metro: Charles de Gaulle - Ecole.
- ZURICH**
ZURICH - ENGLISH-SPEAKING CATHOLIC MISSION, located at St. Anton Church, Muesmattstr. 63, near Kloten, Zurich, Sunday Mass at 11:15 a.m. / Tel.: 01-382-02-05.
- TOKYO**
ST. PAUL INTERNATIONAL LUTHERAN CHURCH, near Kojimachi Sta., Tel.: 3261-3740. Worship Services: 9:30 a.m. Sundays.
- THE EPISCOPAL CHURCHES OF EUROPE (Anglican)**
- PARIS**
THE AMERICAN CATHEDRAL OF THE HOLY TRINITY, Sun. 9 & 11 a.m. / 10 a.m. Sunday School for children and Nursery care. 23, avenue George V, Paris 75008. Tel.: 331 47 20 17 32. Metro: George V or Alma Marceau.
- FLORENCE**
ST. JAMES CHURCH, Sun. 9 a.m. / Pile 1 & 11 a.m. / Pile II. Via Bernardo Rosselli 5, 50123, Florence, Italy. Tel.: 3955 29 44 17.
- FRANKFURT**
CHURCH OF CHRIST THE KING (Episcopal/Anglican) Sun. Holy Communion 9 & 11 a.m. / Sunday School and Nursery 10:45 a.m. / Sebastian Ring S. 22, 60523 Frankfurt, Germany, U1, 2-3 Miquel-Allee. Tel.: 4959 59 01 84.
- GENEVA**
EMMANUEL CHURCH, 1st, 3rd & 5th Sun. 10 a.m. / Eucharist & 2nd & 4th Sun. Morning Prayer, 3 rue de Montsouris, 1201 Geneva, Switzerland. Tel.: 4122 736 63 01.
- MUNICH**
THE CHURCH OF THE ASCENSION, Sun. 11:45 a.m. / Seydewitzstrasse 4, 8000 Munich 30, Germany. Tel.: 4989 011 52 50.
- ROME**
ST. PAUL'S WITHIN THE WALL, Sun. 6:30 a.m. / Pile 11, 10:30 a.m. / Pile 11, 1:00 p.m. / Eucharist, Via Napoli 58, 00184 Rome, Italy. Tel.: 396 474 26 62.
- WATERLOO**
ALL SAINTS' CHURCH, 1st Sun. 9 & 11:15 a.m. / Holy Eucharist with Children's Chapel at 11:15. / All other Sundays: 11:15 a.m. / Holy Eucharist and Sunday School, 663 Chaussee de Louvain, Chateaufort, Belgium. Tel.: 322 384 3555.
- WIESBADEN**
THE CHURCH OF ST. AUGUSTINE OF CANTERBURY, Sun. 10 a.m. / Family Eucharist, Frankfurtstrasse 3, Wiesbaden, Germany. Tel.: 49611 1305 67 4.
- EUROPEAN BAPTIST CONVENTION**
- EUROPEAN BAPTIST CONVENTION CHURCHES WELCOME YOU**, 60 English speaking congregations in 17 European countries. Member Baptist World Alliance and European Baptist Federation. For information contact European Baptist Convention, Schornbergstr. 60, D-56189 Wiesbaden. Tel.: 0611-262016.
- BARCELONA**
INTERNATIONAL BAPTIST CHURCH will meet at 11:00 a.m. at the Hilton Hotel for worship (English language). Phone: 4107651.
- BERLIN**
INTERNATIONAL BAPTIST CHURCH, BERLIN, Rotherstrasse 13, 1000 Berlin at Gleisdorferstrasse 10, 10:30 a.m. / 12:00 p.m. / and 10:30 each Sunday, Charles A. Walker, Pastor. Tel.: 030-774-4670.
- SONN/KÖLN**
THE INTERNATIONAL BAPTIST CHURCH OF BONNENKÖLN, Rheinstrasse 8, Köln, Germany. Tel.: 02234 47021.
- BREMEN**
INTERNATIONAL BAPTIST CHURCH (English language) meets at Evangelical-Freikirchliche Kreuzgemeinschaft, Hohenlohestrasse 10, Bremen-Stein, Germany. Tel.: 0471-12577.
- BUCHAREST**
INTERNATIONAL BAPTIST CHURCH, Strada Popa (Rau) 22, 300 pm, Cortez Eli Richardson. Tel.: 010-91-51.
- BUDAPEST**
International Baptist Fellowship, II Bimbo u. 56 (main entrance Tapolcsányi u. 7, immediately behind front entrance), 1020 Steady Study, 600 pm. Pastor Ben Hopkins. Tel.: 1188759 & 119116. Reached by bus 11.
- BULGARIA**
INTERNATIONAL BAPTIST CHURCH, Sofia, Garmashev Str. 11, Sofia, Bulgaria. Pastor: Tel.: 704367.
- CELLE/HANNOVER**
INTERNATIONAL BAPTIST CHURCH, Fieselerstrasse 15, Celle, SS 1245. / Worship 10:30, 30 min. / D.M.V. 20 min. / by train from Hannover. Walking distance from Celle train station. Pastor Claude Williamson. Tel.: 05204-7515.
- DARMSTADT**
DAFMSTADT/BERNSTADT BAPTIST MISSION, Bible study & Worship Sunday 10:30 a.m. / Sunday School 10:45 a.m. / Bible study 6:00 p.m. / Pastor Ben Hopkins. Tel.: 1188759 & 119116. Reached by bus 11.
- EUROPEAN UNITARIAN UNIVERSALISTS**
- UNITARIAN UNIVERSALIST** fellowship & contacts in Europe include: BARCELONA: (03) 3149154. BRUSSELS: Tel.: (02) 6502226. FRANKFURT: (069) 4523333. (069) 4523333. GENEVA: (022) 7741332. MEIDELBERG: (022) 71 3715 or (49) 600-10403. LONDON: (081) 891-0719. NUREMBERG: (091) 47-2486. NETHERLANDS: (073) 406203.
- DÜSSELDORF**
INTERNATIONAL BAPTIST CHURCH, English, see 10:30, worship 11:00. Children's church and nursery. Meets at the International School, Leuchtenbühlweg 10, D-40225 Düsseldorf. Friendly fellowship. All denominations welcome. Dr. W. J. Dooly, Pastor. Tel.: 02114000 157.
- FRANKFURT**
INTERNATIONAL CHRISTIAN FELLOWSHIP, Evangelical-Freikirchliche Gemeinde, Sodenstr. 11-18, 6030 Bad Homburg, Germany. (069) 4523376 or (069) 4523333 serving the Frankfurt and Taurus areas, Germany. Sunday worship 09:45, nursery + Sunday school 10:30, women's bible - Friday 12:30. Housegroup - Sunday + Wednesday 9:30. Pastor M. Levy, member European Baptist Convention. "Declare His glory amongst the nations."
- BETHEL INTERNATIONAL BAPTIST CHURCH**, Am Dachsberg 92, Freilicht a.M. Sunday worship 11:00 a.m. and 6:00 p.m., Dr. Thomas W. Hill, pastor. Tel.: 059-549558.
- HAMBURG**
INTERNATIONAL BAPTIST CHURCH OF HAMBURG, 11111, TIEBAE FRIEDRICH SAAL, AM ISFELD 19, Hamburg-Ottendorf. Bible Study at 11:30 & 6:30. Worship at 12:30 each Sunday. Tel.: 040-3050916.
- HOLLAND**
TRINITY BAPTIST S.S. 9:30, Worship 10:30, nursery, warm fellowship. Meets at Bloemkampslaan 54 in Wassenaar. Tel.: 071-781-7800.
- MUNICH**
INTERNATIONAL BAPTIST CHURCH OF MUNICH, Holzstr. 9, English Language Services. Bible study 10:30. Worship Services 17:00. Pastor's phone: 6908394.
- PARIS and SUBURBS**
EMMANUEL BAPTIST CHURCH, 56 Rue des Bains, Boulogne-Billancourt, An English speaking church for the English speaking community located in the western suburbs. S.S. 9:45, Worship 10:45. Children's Church and Nursery. Youth meetings Dr. E.C. Thomas, pastor. Call 47.51.29.63 or 47.49.15.29 for information.
- INTERNATIONAL BAPTIST FELLOWSHIP**, 630 a.m., 123 av. de la Merne, Me Gaié, Near the "Les Marquises". The evening service of Emmanuel Baptist Church. Call 47.51.29.63 or 47.49.15.29.
- PRAGUE**
International Baptist Fellowship meets at the Czech Baptist Church Vindrabraska 4 68, Prague 3. At metro stop Jirchov Podbraska Sunday a.m., 11:00 Pastor: Bob Ford (02) 311 0838.
- WUPPERTAL**
International Baptist Church, English, German, Persian, Worship 10:30 a.m., 6:00 p.m., Wuppertal - Eberfeld. All denominations welcome. Hans-Dieter Freund, pastor. Tel.: 02024939884.
- ZURICH**
INTERNATIONAL BAPTIST CHURCH OF WILSONSDALE (Zürich), Switzerland, Rosenburgstrasse 4, Worship Services Sunday mornings 11:00. Tel.: 1-7002812.
- WARSAW**
WARSAW INTERNATIONAL CHURCH, Protestant English language services, Sundays 11:30 a.m. / (Sept-May), 10 a.m. / (June-Aug), Sunday School 9:55 (Sept-May) U.L. Miodowa 21. Tel.: 49-29-70.
- ZURICH**
INTERNATIONAL PROTESTANT CHURCH, English speaking, worship services, Sunday School & Nursery, Sundays 11:30 a.m., Schanzengraben 25. Tel.: (01) 2622825.



Israeli soldiers guarding Palestinians rounded up in the West Bank on Friday after the kidnapping and slaying of an army private.

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Cairo Sets Trial For 53 Militants

Reuters

CAIRO — A military court will try 53 Muslim militants on charges of murder and forming an illegal organization.

The sources said that the 53, all of whom could face the death penalty if convicted, were among 248 militants arrested in May.

TRAVEL UPDATE

France Warns Foreigners on Roads

LYON (AP) — The French police issued a warning Friday to travelers in cars with foreign license plates: Beware of highway robbers on the main north-south freeway in the Rhône Valley of southern France. Consulates have been alerted after three recent attacks against tourists stopping in service stations. The latest victims were a French family driving a car with foreign plates. On Wednesday, two cars — one with Spanish plates and one with Dutch plates — were robbed.

STATESIDE / TESTING THE PRESIDENT

★ POLITICAL NOTES ★

Clinton's Put Their Trusts in Boston Firms

WASHINGTON — President Bill Clinton and his family have turned over control of their stocks, bonds and other investments to two Boston investment companies to avoid any potential conflicts of interest.

According to a trust agreement released Thursday by the Office of Government Ethics, the Clintons last month put assets valued between \$295,000 and \$1.26 million into three blind trusts.

The trusts were set up for the president, Hillary Rodham Clinton and their daughter, Chelsea, 13, to "avoid the appearance of any conflict of interest," the agreement states.

Essex Investment Management Co. of Boston is the investment manager for the trusts and Boston Harbor Trust Co. of Boston is the independent trustee.

The largest of the trusts is Mrs. Clinton's, valued between \$280,000 and \$1.06 million. Because the agreement lists the worth of the Clintons' holdings in broad ranges rather than specific figures, it was impossible to determine the exact value of the trusts.

Among the holdings placed in Mrs. Clinton's trust was her stake in a growth fund, Velepartners I, that has invested more than \$1 million in health-care company stocks.

Mrs. Clinton, who headed the White House task force on health-care reform, owns a 0.9 percent share, valued between \$50,001 and \$100,000, in the special growth fund managed by Smith Capital Management Inc. of Little Rock, Arkansas.

Other holdings placed in Mrs. Clinton's trust include Arkansas state bonds and stock in the frozen yogurt chain TCBY Enterprises Inc., and in the fashion company Liz Claiborne.

The president's trust holdings were valued at \$15,006 to \$125,000 in IRA assets including various investment funds. Chelsea's fund, valued as high as \$75,000, included stock in AT&T and three regional Bell telephone companies. (AP)

Iran-Contra Counsel Submits Report to Court

WASHINGTON — The independent counsel in the Iran-contra case, Lawrence E. Walsh, submitted his still-secret final report on the scandal to a U.S. appeals court in Washington Thursday for the court's review.

A panel of three judges will distribute selected sections of the report to past defendants in the case before deciding whether to make the report public. The court's decision is expected next month.

Mr. Walsh, a retired federal judge, spent more than six and a half years reviewing the scandal in the Reagan administration. In the Iran-contra affair, secret military support to Nicaraguan rebels, forbidden by Congress, was financed by secret U.S. sales of weapons to the government of Iran. The sales of the arms had the additional aim of ransoming American hostages held by Iranian-backed radicals in Lebanon.

Mr. Walsh's investigation was impeded, and indictments he brought were scuttled because the White House and intelligence agencies refused to declassify secret records documenting illegal transfers of arms and money. His final report is expected to contain scathing criticism of the administration's conduct, as well as still-unknown aspects of the convoluted and arcane affair.

In December, less than a month before leaving office, President George Bush pardoned officials of the White House, the CIA and the Pentagon indicted in the scandal, including former Defense Secretary Caspar W. Weinberger. At the time, Mr. Walsh accused the president of abetting a cover-up. As a result of the pardons, none of the main participants in the affair faces trial. None convicted at trial faces prison. (NYT)

White House Travel Aides Are Off the Hook

WASHINGTON — The Justice Department has formally notified five government employees who were removed from the White House travel office in May that they are no longer targets of an investigation.

The notifications, in the form of letters to each of the five, had been requested by their lawyers.

But Carl Stern, a spokesman for the Justice Department, said that the overall investigation was still "active" and that, although the five former employees were no longer its targets, the letters did not exonerate them from any future findings of culpability.

The five workers have been on paid administrative leave since White House officials removed them from their positions and suggested that they were suspected of criminal activities involving the management of the travel office.

Thomas E. (Mac) McLarty 3d, the White House chief of staff, later retreated from those pronouncements and said that administration officials had acted too hastily. He said the employees could return to other jobs in government once a Justice Department investigation had been completed. (NYT)

Quote/Unquote

Thomas S. Foley, Democrat of Washington and House speaker, before that chamber's passage of the president's budget: "The easiest things to do in Congress are to cut taxes and raise spending. That's what we did for the last 12 years for the most part." (AP)

The Budget's Last Holdout How Nebraska Senator Kept Them Wooing

Compiled by Our Staff From Dispatches

WASHINGTON — The White House counted on a single undecided senator Friday as an evenly divided Senate moved toward the showdown on President Bill Clinton's deficit reduction package, which has been defined as a make-or-buy measure for the Clinton presidency.

The budget bill cleared the House of Representatives on Thursday by the narrowest of margins, 218-216. One fewer vote would have meant a tie, and a tie would have meant a defeat for the White House.

The administration expected Senator Bob Kerrey, a rival of Mr. Clinton's early in the 1992 race for the Democratic Party's presidential nomination, to vote for the plan after assurances of more spending cuts in the anti-deficit White House budget director, Leon E. Panetta, said Friday.

"We hope that approach will satisfy Senator Kerrey's concerns," Mr. Panetta said. "We've got to have Senator Kerrey's vote. We think he'll be there when it counts."

"In the end," Mr. Panetta added, "we're confident we're going to win."

As the Senate began its concluding debate, talks showed that 50 senators would oppose the budget bill, 49 were committed to voting for it and Senator Kerrey, who represents Nebraska, was noncommittal. His support would give the White House a victory, since in the Senate the vice president can decide the issue in the event of a tie, as happened on an earlier budget vote.

Senator Richard C. Shelby, an Alabama Democrat opposed to the budget proposal, conceded an edge to the White House.

"The president has the advantage," Mr. Shelby said. "He's good at this, he has the power of the presidency."

Asked what was delaying his decision, Mr. Kerrey said: "It doesn't serve me very well or the public very well to get into a discussion of what my internal thought processes are."

Television crews camped out in the hallway outside Mr. Kerrey's Senate office, while inside phones were ringing on top with people calling from as far away as Hawaii and across London to tell Mr. Kerrey how they wanted him to vote.

The chairman of the Senate Finance Committee, Daniel Patrick Moynihan, Democrat of New York, also came calling to talk to Mr. Kerrey about the bill.

It would raise the top income tax rate to 36 percent from 31 percent for individuals with taxable incomes of \$115,000 and couples with taxable incomes of \$140,000. The rate would rise to 39 percent for income above \$250,000.

In the House of Representatives, the outcome wasn't assured Thursday night until a freshman Democratic member, Marjorie Margulies-Mezvinsky, surrounded by insistent House leaders, cast one of the final decisive votes for the measure, two hours after telling a reporter she would vote against it.



Mr. Clinton putting on a brave face as budget wars raged.

Fear Keeps Pace With Floodwater In Missouri

SAINTE GENEVIEVE, Missouri — The water is subsiding in many flood-weary towns along the Mississippi. But danger and fear are not, as levees left standing will be strained for weeks until the river goes back where it belongs.

"Cross your fingers and pray to the good Lord it's going to hold," said Mick Schwent, emergency services chief in Sainte Genevieve, where the levee held when the 49.5-foot crest arrived.

For Sainte Genevieve and so many communities fighting flooding, "the crest means we can start looking at the end of it," Mr. Schwent said.

But if the end means water dropping below flood markers, it will be a long time coming. Flood stage in Sainte Genevieve, about 60 miles south of St. Louis, is 24 feet, and experts said it would be October before the water dropped that much.

"Meanwhile," Mr. Schwent said, "the pressure is the same on the levee going down as it was coming up, and this could still be packed with problems."

Three months of flooding the Midwest have contributed to 48 deaths and caused at least \$12 billion in damage.

The flooding has put summer on hold in this community of about 4,100, founded in 1735 by French settlers and renowned for the nation's largest collection of preserved colonial architecture.

The county fair was canceled, and so was a band concert at the Valle High School parking lot. Instead, the lot remains a sandbagging headquarters. Jour de Fete, one of the Midwest's largest craft shows, was scheduled for Aug. 14 but now may not be held at all.

On Friday, sandbaggers helped plug leaks in the levee, which reaches 52 feet in places.

Ed Herbst dug into a pile of damp sand while his wife, Lou, held open burlap sacks.

"What's at stake?" Mr. Herbst asked. "Not only the town and the historic houses, but all that hard work that so many people have put in. We feel like we're getting close to the end and we have to see anything happen to the levee when we're almost home free."

VOTES: How Clinton Went the Distance to Bag Them

Continued from Page 1

2-gallon gasoline tax were destined for a new deficit-reduction trust fund instead of the Highway Trust Fund, where money is reserved for road-building and mass transit.

Mr. Mineta said that was fixed with a promise: that the \$2.2 billion from the tax would simply be parked in the deficit fund for five years — the statutory life of the budget package. And then it would be transferred wholesale into the Highway Trust Fund.

Mr. Mineta said he also mentioned to the president, with only a hint of irritation, that he had written several recent letters to the White House, and that none had been answered. On Thursday night, a White House aide called Mr. Mineta on Capitol Hill. He was carrying three responses.

But others were unmoved. As the day dragged on, Earl Hutto of Florida and Calvin M. Dooley of California, among others, announced that they had switched from supporting to opposing the budget package.

Mr. Hutto said he had turned down a plea from Mr. Clinton on Wednesday night. "I've gotten lots of calls" from citizens who don't like the package, he said. "Lots of calls."

Just to emphasize it, he added, "Lots of them."

By late Thursday afternoon, the Democrats were still shy of the votes they needed to send the budget package to its next bungee-jump, in the Senate. Nobody was smiling as the Democratic lawmakers charged with persuading colleagues to vote for \$250 billion in new taxes and \$250 billion in Medicare cuts, Social Security reductions and other cuts strode down the Capitol's glittering marble center hall, into the fifth of the day's seven strategy sessions.

Even the statues lining the corridor, historic totems of the first rank, were heavy with portent.

James Paul Clarke, turn-of-the-century Arkansas governor and senator, famous for not replying to constituent mail.

The Reverend Joseph Damien of Hawaii, founder of a leper colony. Philo T. Farnsworth, Utah fur trader, one of the inventors of television and as such a remote godfather of that maker and breaker of legislative careers. C-SPAN.

The whips were engaged in a bout of self-flagellation. Mr. Clinton's political future lay in their hands, and they were worried that they might drop it.

"We're solid at 200 votes, maybe 206," said one of the chief Democratic vote counters. "We're down 10 votes, but those 10 are very hard to find. They're just not moving the way we want them."

Another, Romano L. Mazzoli of Kentucky, spoke the unpalatable: "What would happen if the bill went down? I don't know."

Britain Rejects Appeal By a U.S. Abortion Foe

LONDON — Britain has rejected an appeal by the American anti-abortion campaigner, Don Tretman, against a deportation order issued against him from entering the country again, officials said Friday.

A judicial spokesman said the Immigration Appeals Tribunal had dismissed an appeal by Mr. Tretman, leader of the anti-abortion group Rescue America, who came to Britain in March. Britain ordered the deportation after his supporters staged protests outside London abortion clinics.

Legal experts were surprised by the move and said that in a case involving so many police officers, federal agents and other law-enforcement officials, it would be virtually impossible to discover a source of leaks to the press.

The supervisors, he said, will be asked to submit sworn statements about contacts they or their workers have had with reporters and say how they planned to suppress leaks.

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U.S. Sees Broader Conspiracy in UN Plot

By Mary B.W. Tabor
New York Times Service

NEW YORK — The man who plotted to bomb the United Nations and other targets in New York City also discussed kidnapping, hostage-taking and "myriad other terrorist activities," according to a federal prosecutor.

The disclosure, contained in a letter to a federal District Court judge, Michael B. Mukasey, was the first indication that the 11 defendants under arrest may have been involved in a conspiracy broader than the foiled bombing plans already outlined.

It was not clear whether plans were actually drawn for the kidnappings and hostage-taking. The prosecutor, Andrew C. McCarthy, an assistant U.S. attorney, gave no further details in his letter, which he sent principally to assure the judge that government lawyers were proceeding ethically.

The suggestion of a wider plot came as officials said the FBI was conducting an intensive investigation of other terrorist cells, including some they believe are linked to the suspects in the foiled plot and the World Trade Center bombing.

It also came as Mr. Mukasey, responding to news reports on transcripts of taped conversations made by a government informer, ordered prosecutors and defense lawyers not to give reporters any information from the investigation of the foiled plot.

In a relatively unusual move to prevent further leaks, Mr. Mukasey also ordered the government lawyers to produce a list of police and FBI supervisors who have been involved in the investigation.

The supervisors, he said, will be asked to submit sworn statements about contacts they or their workers have had with reporters and say how they planned to suppress leaks.

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Dr. Jack Kevorkian challenged the courts by telling the press that he had given Thomas Hyde, who was terminally ill, the mask, carbon monoxide and other equipment needed to commit suicide. Dr. Kevorkian said he was responding to the prosecutor John O'Hair's call, published in The Detroit News, to "say the magic words that he physically assisted in the suicide." A new Michigan law prohibits such activity.

In a daytime ambush in Philadelphia, gunmen killed the brother of that city's Mafia underboss and shot another mobster. The attack is part of a renewed power struggle within the Philadelphia-South Jersey mob, which for three years had pitted the victim, Michael Scuzigaglia, against his older brother, authorities said.

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Away From Politics

● The largest single U.S. lottery payoff — \$111 million — will be split by a teacher and his fiancée, according to a ruling by Circuit Judge Gerald Nickel. Leslie C. Robbins bought the ticket and wanted to share it with Colleen DeVries, but a court order was needed because Wisconsin doesn't allow the lottery to pay jackpots to anyone but the ticket holder.

● Hollywood's "mistress to the stars" was charged with running a call-girl ring and trafficking in cocaine. Heidi Fleiss, 27, whose client list has been reported to include celebrities and studio executives, could get 11 years in prison if convicted.

A Hint of Détente Angers Miami Cubans

By Larry Roiter
New York Times Service

MIAMI — In a rare instance of cooperation between the United States and Cuba, federal law enforcement officials are pursuing charges against a pilot who commandeered a Cuban commuter flight last year and flew the airplane and its 52 passengers to freedom.

To the alarm and anger of the large and powerful Cuban exile community here, crew members who had returned to Cuba were brought back to Miami this week to meet with federal prosecutors, according to lawyers for the pilot, Carlos Canicio Forcel.

The government's decision to prosecute with the case has enraged Cuban-Americans here, many of whom risked their lives aboard boats, rafts or planes to flee the Castro regime and consider Mr. Canicio a hero.

The lawyers said the Cuban witnesses were seen entering the federal courthouse here Thursday to testify before a grand jury that was meeting there.

The government's decision to proceed with the case against Mr. Canicio comes amid several recent signs that Washington and Havana want to lessen the mutual hostility that has prevailed since Fidel Castro seized power 34 years ago.

Since the Clinton administration took office, Mr. Castro, who has seen Cuba's economy sharply decline with the collapse of the Soviet Union, has made repeated overtures to the United States, while Washington has made some modest proposals of its own.

Late last month, the State Department announced it would lift the limits on the number of tele-

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On an Israeli Stone, First Reference to King David Outside Bible

Italians Bury Tax on Dead

By John Noble Wilford
New York Times Service

NEW YORK — An Israeli archaeologist has discovered a fragment of a stone monument with inscriptions bearing the first known reference outside the Bible to King David and the dynasty he founded, the House of David.

Scholars of biblical history said this was strong corroborating evidence for the existence and influence of the House of David in early Jewish history and in the traditions of Judaism and Christianity. In their excitement, they used words like "phenomenal," "stunning" and "sensational" to emphasize the importance of the discovery in biblical archaeology.

The broken monument, or stele, was found in the ruins of a wall at Tel Dan, the site of an ancient city in northern Israel near the Syrian border and at one of the sources of the Jordan River. The discovery was made this summer by Avraham Biran, an archaeologist at Hebrew Union College and the Jewish Institute of Religion in Jerusalem and director of excavations at Tel Dan since 1966.

Mr. Biran said the stele was inscribed with 13 truncated lines of Aramaic text referring to the "House of David." From the style of the script and its references to a "king of Israel" and a king of the House of David, the archaeologist surmised that this probably was a victory stele erected in the first quarter of the ninth century B.C. by the king of Damascus after he "smote" Ijon, and Dan, and Abiel-beth-masach." In the words from 1 Kings 15:20.

In that case, according to Mr. Biran's interpretation, the "king of Israel" of the inscription may be identified with Baasha and the king of the "House of David" with Asa, a descendant of David's who ruled

as king of Judah. A split among the Israelites after the death of Solomon in the 10th century B.C. had led to the northern kingdom of Israel and the southern kingdom of Judah, centered at Jerusalem. As related in 1 Kings, when war broke out between the two kingdoms, Asa secured an alliance with Ben-Hadad, king of Aram at Damascus, who defeated the forces of Baasha.

In an interview by telephone from Jerusalem, Mr. Biran said: "There has never before been found a reference to the House of David other than in the Bible." Other scholars agreed, and noted that, for that matter, no reference

to David himself had ever appeared before in nonbiblical texts. Indeed, as Jack M. Sasson, professor of religious studies at the University of North Carolina at Chapel Hill, said: "No personality in the Bible has been confirmed by other sources until Ahab, not David or Abraham or Adam and Eve."

King Ahab, husband of the notorious Jezebel, lived later in the ninth century B.C., dying in 897 B.C. David is supposed to have reigned from the year 1000 to 961. Mr. Sasson cautioned that the reference to the House of David did not necessarily prove the man existed. It could be, he said, that peo-

ple who considered themselves his descendants had come to revere someone by that name who had been elevated to mythical standing.

"Until you find a text actually written by David, people will wonder," he said.

Eric M. Meyers, a biblical archaeologist at Duke University, said: "It's a stunning discovery. Publication of the text should really enlighten us on the 9th century B.C., which has been a kind of dark age in biblical history."

Hershel Shanks, editor of *Biblical Archaeology Review*, said the findings provided contemporane-

ous evidence supporting accounts of the Jewish monarchies in 1 Kings and 2 Kings. He said: "The stele brings to life the biblical text in a very dramatic way. It also gives us more confidence in the historical reality of the biblical text — in a broad way, not necessarily in regard to each detail."

Although Mr. Biran gave a terse description of his findings in correspondence with colleagues this week, he said photographs and transcriptions of the writing would not be released until a full report was ready for publication in *The Israel Exploration Journal*, scheduled in about two months.

ROME — The Italian cabinet killed on Friday a controversial plan to make a \$52 million health tax apply to persons who died this year, government officials said.

Everyone else, except for newborn babies and the poor, will still be subject to the \$52 tax, which is to help pay for the state medical plan.

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West Puts Its Bet On Bosnia Talks

Hope Is for Peace Agreement To Avoid Air Strikes on Serbs

By Daniel Williams and Ruth Marcus

WASHINGTON — As NATO planners continue to draw up bombing plans, U.S. officials appear to be gambling that an order to commence air strikes against Serbian positions in Bosnia-Herzegovina can be avoided by a successful conclusion to peace talks in Geneva.

"With luck," said one official, "if the talks go well, we won't have to bomb them at all. That is the primary goal."

A military action by the North Atlantic Treaty Organization is scheduled to begin before next week at the earliest.

In Geneva, international mediators have suspended the talks until Monday because of a deadlock with the Bosnian Muslim delegation over several issues, including its demand that Serbian troops withdraw from recently seized positions on two mountains near Sarajevo.

Before the Bosnian Muslims agreed to return to the talks on Monday, the United States and its allies told the Muslim-led government that no bombing campaign against Serbian positions would begin unless they returned to the negotiating table, according to administration officials.

The Clinton administration's more aggressive approach to the Bosnian conflict involves two tracks: threatening Serbian forces with air attacks unless they stop their "strangulation" of Sarajevo, and pressing the Muslims to accept a proposed partition of Bosnia.

But the strategy is drawing fire in Washington both from some in Congress who fear that bombing could lead to a quagmire for U.S. forces and some within the administration itself who regard the pressure on the Muslims to reach a quick deal in Geneva as a sellout.

The talks have centered on a proposal to divide Bosnia into a union of three ethnic republics that would roughly reflect the current pattern of military gains and losses among the Serbs, Muslims and Croats.

U.S. officials said that a special envoy, Reginald Bartholomew, was pressing the Muslim leader, Alija Izetbegovic, to negotiate in Geneva, but Mr. Izetbegovic, seen in his refusal to negotiate as one of his few remaining bargaining chips.

"The cavalry is not coming in to take back his country for him," a senior administration official said. "If it now looks to the world as though the prospect of NATO air support is causing him to backslide and substantially toughen his position, that would make it much less likely that NATO would act."

"We are making that very, very clear to him. It's very important he agrees to go back to the negotiations," the official said.

The sense of urgency conveyed to the Muslims appeared to contrast with the laborious pace of preparations for bombing the Serbs. A senior State Department official said no air attacks would be made until NATO officials met Monday in Brussels "to review options" — and then perhaps not until another meeting was held at some unspecified future date.

Any bombing, another senior official said, would not be designed

to drive the Serbs from positions around Sarajevo, given the implausibility of trying to do so.

"I don't think you can do roll-back with air power," the official said, adding that it was "very plausible" for the Serbs to attempt to create "facts on the ground" by acquiring territory in advance of a NATO offensive.

The solution, the official indicated, was for the warring parties to negotiate a roll-back agreement.

"You can't impose roll-back from the air," the official said. But the official added that the threat of the air strikes "and if necessary the use of air strikes, can get you a somewhat better deal at the negotiating table."

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Even in Hiroshima, Doubt on Nuclear Nonproliferation

By James Sterngold

HIROSHIMA, Japan — As the city whose name has become synonymous with the horrors of atomic warfare, Hiroshima has transformed its once incinerated central district into a shrine of anti-nuclear fervor. And every year on Aug. 6 at precisely 8:15 A.M., the anniversary of that devastating rendezvous with the nuclear age 48 years ago, it translates its tragedy into an almost religious mission to control, at all costs, the nuclear genie.

But this year, on an overcast, humid morning Friday amid the solemn bells, madly trilling cicadas, speeches and testimonies to the miseries the people here endured, came this seeming contradiction: The mayor, Takashi Hiraoka, exhorted leaders to reject an indefinite extension of the key international tool for limiting the spread of the weapons, the Nuclear Nonproliferation Treaty, which is to expire in 1995.

In fact, Mr. Hiraoka's view is shared by many on the left, who argue that they are not opposed to the basic goals of the treaty, only that the treaty does not go far enough. It discriminates against the non-nuclear states, they say, by preserving the monopoly that countries such as the United States, China and Russia hold. The treaty, they add, should abolish nuclear weapons rather than just prevent their spread.

"From an American perspective we may sound idealistic and distant from reality," said Minoru Ohnuma, chairman of the Hiroshima Peace Culture Foundation, which is affiliated with the city government. "But I believe nuclear weapons and human beings cannot coexist."

Those views apparently remain in the minority, but they have recently won many influential supporters in Japan — so influential, in fact, that the government risked its claim to being a leader of the disarmament movement by quietly restating a statement at the Group of Seven summit in Tokyo last month encouraging the treaty's indefinite extension. It was the only one of the leading industrial nations to express such misgivings.

But the real pressure for opposing the treaty's extension, government officials concede, is coming from the right, not the more vocal pacifists on the left.

Some nationalists and rightists argue that the treaty's indefinite extension must be opposed not because Japan needs to build its own bombs now, but because it limits Japan's ability to develop the weapons should it ever be forced to join the nuclear club. They note that Japan already faces several nuclear powers — the United States, Russia and China — and that in the dangerous post-Cold War

order taking shape, North Korea is said to be closing in on membership fast.

In particular, they worry, Japan can no longer rely solely on an uncertain American nuclear umbrella, which carried them through the Cold War. One of the most vocal proponents of this view has been Shintaro Ishihara, a member of the Liberal Democratic Party and co-author of the now famous book, "The Japan that Can Say No."

He wrote in the book, "The American nuclear umbrella is just an illusion as far as the Japanese people are concerned. The time has come for Japan to tell the U.S. that we do not need American protection. Japan will protect itself with its own power and wisdom."

Government officials insist in the strongest terms that Japan has absolutely no intention of developing nuclear weapons now or in the future. But they concede that similar ideas to those of Mr. Ishihara and Mr. Takubo have been expressed at confidential seminars to which outside experts have been invited to speak.

But it is clear that the once-taboo question of developing nuclear weapons is being addressed with greater openness here than ever before. In fact, the treaty extension issue could become an important and highly public question for the new coalition

government of Prime Minister Morihiro Hosokawa to solve.

Of course, Japan's "nuclear allergy" has been a relative matter for some time. More than a quarter of the electricity in this earthquake-prone country is generated by nuclear power plants. The government recently imported several tons of plutonium, one of the most poisonous substances on earth and the material used to build nuclear weapons, to fuel an experimental fast-breeder reactor currently under construction.

And though Japan has clung to principles that ban the development, production or presence of nuclear weapons in the country, they have long winked at the suspected entry of such weapons aboard U.S. warships by simply not inquiring.

Though the issue is immensely sensitive, Japan is clearly unprepared to back down. Kabun Muto, the former foreign minister, surprised many here when he commented at a conference in Singapore several weeks ago that Japan would back the treaty extension. That just brought a rebuke from Prime Minister Kiichi Miyazawa — whose government has just resigned after an election defeat — and an insistence that official policy had yet to change.

That posture still remains difficult to reconcile with the images this city has spent decades cultivating, and which were on display Friday.



General Rasim Delic, commander of the Bosnian Army, arriving at UN headquarters in Sarajevo on Friday for talks with General Ratko Mladic, commander of the Bosnian Serbs, and General Francis Brignemont, the Belgian commander of the UN peacekeeping forces.

PALACE: Queen's London Residence Opens to Public

Continued from Page 1
brandt and Rubens, as well as panoramas that until now commoners could only imagine.

From the windows of the State Dining Room, at the rear of the palace, for example, visitors can gaze through windows onto private lawns and gardens, where earlier Friday attendants were glimpsed walking her majesty's corpis. Until now, such moments were reserved exclusively for her majesty, her family and her guests.

Queen Elizabeth II, whose private quarters are in a separate wing of the 600-room palace, will not be on hand herself for the open house. She and Prince Philip, her husband, left London on Thursday for their annual summer vacation in Scotland.

But the palace accountants will be carefully counting the house on her behalf. It was her decision in May to open the palace to public tours, for a limited period during August and September over the next five years, as a means of raising funds for the reconstruction and restoration of Windsor Castle, which was damaged by fire last year.

Officials hope the admission charges to visit Buckingham Palace, coupled with a new entrance fee at Windsor Castle, will cover more than 70 percent of the cost of the \$47 million to \$62 million the government said will be needed to repair Windsor.

The palace also will raise revenues from a sale of souvenirs, including \$15 bone china mugs, \$60 gold earrings and \$6 boxes of chocolates, molded in the shape of the crown.

The opening is the centerpiece of London's best tourist season since 1990. The British Tourist Authority reported this week that arrivals of overseas visitors during the first five months of this year set a record, after two lackluster years damaged first by the Gulf War and then economic recession both in Europe and North America.

"There are more tourists in London this summer and, more importantly, more high-spending tourists," said Peter Hillier, an investment analyst in London.

The biggest factor for American visitors, he said, was an increasingly favorable exchange.

As the dollar has strengthened against the pound, for example, the relative cost of tickets for Buckingham Palace has dropped from \$12.50 to \$12.

JAPAN: New Leader Wins Comfortable Diet Majority

Continued from Page 1
victims of the atomic bomb dropped on Hiroshima 48 years ago Friday morning.

Television commentators generally blamed the Liberal Democrats for the lapse, which suggests that the party was not benefiting from its aggressive opposition stance.

Mr. Hosokawa's next key step is scheduled for Monday, when he is to announce his cabinet, drawing members from the diverse coalition. A long weekend of negotiations is scheduled to settle on key appointments.

Judging from predictions in the press, the negotiations will produce a cabinet such as Japan has never seen. The leader of the Buddhist-backed Clean Government Party is reportedly set to take over the corruption-plagued Construction Ministry. A Socialist member with close ties to labor unions is said to be a leading candidate to run the Ministry of International Trade and Finance, the traditional guardian of Japan's business establishment.

Mr. Hosokawa's closest political ally, Masayoshi Takemura, founder of the New Harbinger Party, is likely to be named chief cabinet secretary, or official government spokesman. Another leading political rebel, Tsutomu Hata, founder of the Japan Renewal Party, is expected to get one of the two top jobs in the cabinet — either

foreign minister or finance minister.

Mr. Hosokawa dares not forget the central issue that took him to the top — the public's deep disgust with the repeated corruption scandals that plagued the Liberal Democrats. Accordingly, his coalition has made it clear that its first priority will be to pass laws to change the electoral system and to ban corporate contributions to politicians.

According to reports here, Mr. Hosokawa will create a new cabinet-level job, "political reform chief," to move on this front. The Social Democratic Party chairman, Sadao Yamahana, may get this job.

To emphasize his break with the prior ways of doing things, Mr. Hosokawa is also said to be looking for nonpoliticians to fill some cabinet jobs. He has reportedly leaned hard on the founder of Sony, Akio Morita, to be Japan's foreign minister, but Mr. Morita is reportedly resisting the idea. Another nonpolitician candidate may be the former Japanese ambassador to the United States, Nobuo Matsunaga.

The coalition is somewhat fragile, with a varied range of policy views. But its members are united, for the time being at least, in a firm determination to prove that they can govern. This drive may overcome policy differences and permit the coalition to pass some significant legislation.

A panel of Israeli Supreme Court judges ruled that Mr. Demjanjuk should remain in custody at least until Aug. 11, when prosecutors will decide whether to charge him with being a guard elsewhere at Nazi death camps.

Another force for change is Mr. Hosokawa himself. He has written four books denouncing the permanent bureaucracy that is the real power base of Japanese government, and has declared repeatedly that the time has come for politicians to take power back from the bureaucrats.

The 6th U.S. Circuit Court of Appeals reiterated that Mr. Demjanjuk, 73, should be present when his 1986 extradition to Israel was reconsidered. Israel has said that the U.S. court decision is not legally binding on it.

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BOSNIA: U.S. Plan Hinders Peace Effort, Owen Says

Continued from Page 1
Brussels on Monday to consider contingency plans for using air power to defend United Nations humanitarian relief convoys against attack and harassment.

When NATO commissioned these plans Tuesday, Lord Owen, along with Britain, France and Canada, made clear that they generally opposed the use of force at present, believing it would scuttle the peace talks.

As a result, the council agreed that air power should be used only at the request of the United Nations and after consultation with the Balkan mediators and with the UN High Commissioner for Refugees, Sadako Ogata, who is responsible for the humanitarian relief operation on which more than 2 million people depend for survival.

Nevertheless, the sudden upsurge of Western interest in air power produced a hardening in the position of the Bosnian Muslims. And their leader, President Alija Izetbegovic, walked out of the talks.

But Lord Owen said that Bosnia's Serbian, Croatian and Muslim leaders had all agreed to attend renewed negotiations on Monday. He made clear that difficult problems remained.

The biggest obstacle to an accord, he said, is still the future status of Sarajevo, which the Serbs want to divide with the Muslims. He said serious difficulties also remained over the Muslim "safe havens" that the UN Security Council has declared in Eastern Bosnia, which the mediators want incorporated into a new Muslim state.

Talks between Bosnian Serbian and Muslim military leaders broke up here Friday without agreement on opening up vital supply routes through Serbian lines into the encircled city, Agence France-Press reported from Sarajevo, quoting UN spokesmen.

They said the two sides would meet again Sunday for further talks on implementing a pledge by the Bosnian Serbian Army to withdraw from two recently captured heights overlooking Sarajevo and to open two roads into the city.

Russian Troops Take Tip From William Tell

Agence France-Press
LONDON — Russian Interior Ministry troops are adding crossbows to their existing array of sophisticated anti-terrorist weapons, Itar-Tass said in a report monitored by the BBC.

The report said the ministry was to issue crossbows to its special forces for use in situations where the use of firearms could cause fires or explosions.

Ministry experts say that the crossbow — the modern version of which can hit a target as far as 200 meters away — is particularly suited to anti-terrorist operations at nuclear power stations and oil storage facilities.

Bonn to Begin Ousting Ex-Yugoslavia Refugees

By Craig R. Whitney
New York Times Service
BONN — Germany will allow local authorities to order refugees from Slovenia, Serbia, Croatia and Macedonia to leave the country because those places are no longer considered war zones, the Interior Ministry said Friday.

Refugees from Bosnia-Herzegovina, where the worst of the fighting has been concentrated for the past year, will continue to be allowed to stay under a blanket order

for all refugees from the area that expires on Sept. 30 but is expected to be extended only for those from Bosnia.

The decision, which could affect many of the estimated 350,000 people from former Yugoslavia who have taken refuge here, was immediately criticized by groups that support them.

"The war is threatening to escalate in Croatia," said Benjika Schedlich, of the Southeast Europe Center in Berlin, adding that young Serbian men could be drafted immediately on return and sent to the front.

An official of the Berlin city government, where 10,000 refugees were said to be subject to deportation orders, said that those ordered to leave could appeal for review; many others are expected to apply for asylum, as 180,000 of them have already done.

The Berlin counterculture daily, "TAZ," reported that city authorities had instructions not to grant any more six-month "sufferance" extensions as a general rule for all

refugees from every former Yugoslav republic except Bosnia and those from Croatia who had arrived before May 22, 1992.

By that time, the worst of the fighting in Croatia between Serbs and Croats was over, but considerable Croatian territory remains under Serbian control or in dispute.

The threat of forced departure stems from a change in the German Constitution that became effective July 1 and made it possible for war refugees to stay here without having to apply for asylum.

SCHOOL: After Half a Century, Berlin Sees Jewish High School Reopen

Continued from Page 1
fifty wealthy Austrian Jewish families who had been expelled from Vienna. The first private Jewish boys' school was founded in 1778; in 1826 it became a public school open to all Germans, reflecting the Enlightenment philosophy of Moses Mendelssohn, who advocated the integration of Jews into German public life.

When the Nazis took power in 1933, Berlin had 160,000 Jews, Germany more than half a million. By 1942, the number in the capital had dwindled to 60,000.

Shortly after the school was ordered closed in 1942, the adjacent grounds became the Gestapo's collection point for deportations from Berlin. A few pages from the school's main door, a memorial plaque recalls that from this spot "53,000 Berlin Jews, from infants to the elderly, were taken to concentration camps at Auschwitz and Theresienstadt, and were gruesomely murdered. Never forget."

many first opened an elementary school in Frankfurt, about a quarter of a century ago. Four others have followed, including two in Berlin.

Under the German educational system, high school begins at age 12 and offers two tracks, depending on whether a student is headed toward college or a trade. Of the 24 students — all 7th graders — 17 are enrolled in the former curriculum, the "gymnasium," and 7 in the latter. Tuition is calculated on the basis of parental income, with no one paying more than 400 Deutsche marks (\$235) a month. The school is subsidized by the city's

Jewish community, which in turn is subsidized by the Berlin Senate.

For all students, classes in Hebrew and Jewish religion are mandatory.

As the children trooped off to their classes, Willi Wand, a survivor of Buchenwald, watched his 14-year-old grandson, Aron Pekar, go with them. "Why are we here?" Mr. Wand replied to a questioner. "Because we're Jews. I'm a survivor of the Holocaust. My parents were born here. I was born here. We've seen what can happen. For us, Jews, we're happy to see Judaism thrive."

DEATH NOTICE

Mr. and Mrs. David AMAR
Mr. Rafy EDERY
Mr. and Mrs. Daniel AMAR
Mr. and Mrs. Paul BROUQUE
Mr. and Mrs. Josef COHEN
Laura and Alexandre,
her grandchildren,
Mrs. Fortune GHOURAUI
regret to announce the death of
Mrs. Annie-Claude EDERY
née AMAR

on August 6, 1993,
at the age of 46.
Funeral procession will leave
9, Avenue Emile-Accolas, Paris VII,
on Monday, August 9, 1993,
at 2:30 p.m.
Burial will take place at 3:00 p.m.
at the Jewish cemetery
in Versailles.

COLONY: Hong Kong's Real Estate Goes Into Orbit

Continued from Page 1
The Hang Seng Bank recently examined the spiraling property market and found the average cost of a tiny 400-square-foot (37-square-meter) urban apartment is equivalent to 15 years' annual salary of a recent university graduate — two years higher than at the peak of the 1981 boom.

The cost of such a place is between 1.4 million and 1.9 million Hong Kong dollars (\$180,000 to \$245,000) depending on location and age. But such an apartment is

unlikely to be acceptable to most expatriates, especially those who get housing allowances.

"Some owners are getting greedy," said Miss Sun. "But then why should they stop asking for more if the clients are willing to pay?"

Why not indeed, especially as agents recount tales of desperate expatriates taking two-bedroom places at 50,000 Hong Kong dollars (\$6,400) a month sight unseen?

LITERAL TRANSLATIONS By Tom Underhill

ACROSS
1 Dative or ablative
5 Kind of shot
9 Enough, Antonio!
14 Circle mess.
18 Saw word
19 Apples or pears
21 Spontaneous remark
22 Cuba, for one
23 Children's-song character
26 Place for change
27 Heavy rains
28 Hirsch of football fame
29 Go to a diner
31 Slammin' Sam and family
33 Hunter in the sky
35 —doh (affected)
34 Madison Ave. products
35 Byron's "The Lament of—"
36 Doe or ewe
39 Chiropterous
42 "The evil that men—"
43 Likely
47 Billy Ray Cyrus's "Breaky Heart"
48 Kemo—
49 Pumping material
50 Twice DCCLI

51 Map abbr.
52 First Commandment phrase
56 Moldovan city, to Romanians
57 Acrobatic feat
59 Larin
60 Hierophant
61 This might be a garden
62 Cash holders
63 Rhone tributary
64 Pester
65 "And leaves soul—" little"
67 Ventilation shaft
70 Architectural piers
71 A real pal
73 Bishopric
74 A Wash. airport
75 Phoenix's N.B.A. team
78 Stag or stallion
77 Author Hunter
78 Hockey-slick wood
79 "Is this a dagger—" Macbeth
83 Concerning
84 Lacking vigor
86 Free-for-all
87 Explosive, for short
88 "—in the Dark," 1984 film
89 Rough handler

91 Distillery residue
94 Singing group
96 "Cave—"
97 "—of Fire," 1981 film
98 Bitter
100 "Hail, Caesar, —you" (gladiators' cry)
103 Composer
104 Soviet collective
105 Meager
106 Fol's cousin
107 Poor grades
108 Founded
109 Has markers out
110 Vergara, for one

DOWN
1 Suffragette
2 A Dumas character
3 Unforgiving
4 Pies
5 Decreases the bankroll
6 Baffs a golf ball
7 Latin I word
8 For each
9 "Cheers" site
10 Append
11 Weaver's reel
12 Sesame
13 Competent
14 Proximal's opposite
15 Succumbs to
16 Vergara's
17 Not sotto voce
18 Salminen of the Met
20 James Bond foe
24 Intoxicating
25 Beethoven's "Für—"
30 Word of woe
32 Western
35 "And so—"
36 Terra
37 Beethovenian
38 "City—"
39 Cutting remark
40 "Sanctuary"
41 Put —invert, in a way
42 Desertlike region of the Arabian Peninsula
43 Combat zone
46 Name of many
48 Joust
49 British guns
50 "Dirigo" is its motto
52 Corpulent
53 "Good—"
54 Edmonton hockey player
55 —Lama
56 Three, to a couple
58 South African pole for animals
60 Cole Porter song: 1929
62 Warhol film: 1970
63 Move edgewise
64 Mandilukova of tennis
65 Anthologies
66 Fagin, for one
67 "What's in—"
68 Jack Sprat's diet
69 Transmitted
71 Nice night
72 Arab bigwig
75 Prong for a calico cat
77 Involved necessarily
79 Labor org.
80 —Cowhand," Mercer song
81 Emulated
82 Aromatic resins
83 Bone cavities
84 L.B.'s first Supreme Court appointee
87 Drinks to
88 Emulated John I. Alghow
89 Fissile rock
90 Like a Maltese cross: Var.
91 Princess, e.g.
92 Jeweler's lens
93 Diminutive suffixes
95 Clean the orlop
96 Wt. measures, in London
97 Quid, in Dogpatch
98 Search for
101 Epoch
102 He wrote "The Name of the Rose"

OPINION

Herald INTERNATIONAL Tribune

Published With The New York Times and The Washington Post

Prosecute War Criminals

With much huffing and puffing, the United Nations pledged in February to establish an international tribunal to prosecute war crimes in the Balkans. Seven months after this Security Council declaration, little has happened.

World can be informed of the horrors that have been perpetrated. Political leaders who condone war crimes may escape legal accountability, but not opprobrium.

Why Intervene in Bosnia

The consideration of American air strikes in Bosnia is suffering from a basic confusion about ends and means. Basically, there could be three purposes of strikes.

Appropriate planning so as to select the objectives appropriate to the force that might now be deployed, and careful military planning as well.

Catching the Sea Foulers

Many weekend sailors would sooner pot into shore than toss a beer can or plastic cup overboard. Regrettably, no comparable sense of environmental stewardship burdens the corporate managers and captains of some of the huge cruise ships that ply America's offshore waters.

The 1987 Marine Plastic Pollution, Research and Control Act established rules for disposing of all ship-generated garbage and Italy banned dumping plastics, which take 400 years to decompose and kill an estimated million birds and 100,000 sea mammals and turtles every year.

Other Comment

Japan: Better Late Than Never
It may be that Japan at long last is coming to terms with World War II.

Japan's role in World War II often becomes an issue when the emperor travels abroad. In his 38 years of rule the LDP has consistently resisted recognizing Japan's war responsibility.

The Lame ERM Isn't Europe's Only Dud Mechanism

WASHINGTON — We are witnessing the final acts of an economic tragedy. The exchange-rate mechanism created a deep and needless recession in Europe. The mechanism's defeat is good news. Europe may finally recover from its bout of economic insanity.

By Robert J. Sammelson
imports from the rest of Europe would have been cheaper and its exports more expensive. Europe's leaders made neither choice.

ERM to all but abandon fixed exchange rates and allow most currencies to fluctuate 15 percent up or down from designated rates. It would have been better to suspend the system entirely. This may yet happen.

former Soviet Union would have benefited from a healthier Western Europe, which is, after all, the natural market for their exports. Europe's essential problem transcends economic. It is political and intellectual.

A Modern Tale of Two Cities, Both of Them Named Singapore

SINGAPORE — This must be the best planned, best maintained city in the world. The streets are clean, the transit system efficient. If you are seen dropping a piece of paper in a park, you may be given an apron and put to work for several hours cleaning up.

By Anthony Lewis
smaller bedrooms, another bath, kitchen and living-dining room. It cost them \$50,000 six years ago. They could sell it now for \$200,000.

Singapore. Drugs are hardly a problem. The penalty for importing them is death. Anyone can be tested for drugs at any time, and if the test is positive, sent off for treatment — without a right to object.

expenditure approved by the head of his department, a government member of Parliament. When he said the firing was political, various university employees made new accusations against him. He told the press the charges were false. They said him for libel.

Thailand, Flying High, Approaches Unscheduled Turbulence

HONG KONG — At first sight, all seems well in Thailand. Democracy is holding the ground gained in its great leap forward last year when popular support for it drove the generals to the sidelines.

By Philip Bowling
growing, but the outlook for private investment is dull. In the low-skill sectors such as textiles and shoes, Thailand is being undercut by China, Indonesia and Vietnam.

spending should in theory rescue the growth rate. But many projects are being delayed by bureaucratic and political infighting. Private-sector-financed infrastructure is being similarly impeded, to the worry of foreign investors.

invested in power and access to money than in political principle. One well recognized danger is the paralysis of administration as attempts at clean government run foul of the money-making or the power plays of politicians and bureaucrats in a situation where overlapping ministries, boards, state enterprises etc. proliferate.

Betting on an Economic Prescription

WASHINGTON — During the Vietnam War period, the left in America argued that Americans could best earn the gratitude and respect of the world by tending first to domestic concerns. The right said that this was how to earn the world's pity and contempt.

By Stephen S. Rosenfeld
Clinton administration's battle of the budget is much less somber and equivocal. Even well informed foreigners, I have observed, can quickly get lost in the muck of Washington's day-by-day affairs. But they can discern and respect signs that an American leader is taking charge.

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IN OUR PAGES: 100, 75 AND 50 YEARS AGO
1893: Gallant Leopard
PARIS — Leopold II, King of the Belgians, appears to have had a very narrow escape from serious injury.

International Herald Tribune
KATHARINE GRAHAM, ARTHUR OCHS SULZBERGER
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JOHN VINOCCUR, Executive Editor & Vice President

The Washington Post

Bargain Buys for Ceramics Fanciers

LONDON — There are few areas where buying art still is a pure lark. As they sat out Christmas in a packed room, many old-timers were thinking that this is just about the last field where collecting remains affordable to all but the most destitute art lovers.

Where else would you get an object that qualified as a museum

SOUREN MELIKIAN

piece, if not the most ambitious ever, for only \$66 (\$100)? That was the price for an Irish tea mug decorated some time between 1863 and 1890 with a printed pattern of blossoms and ribbons in grayish green on a plain pottery ground that has taken on the color of weathered ivory. The one other motif is the mark of the Belleek factory in County Fermanagh painted on the facade, as it were, diametrically opposite to the geometrical handle. A seated hound turns back to look at a harp in front of a tower, all of it above a curving band with the name Belleek.

In the 19th century, Belleek was renowned for its porcelain, pottery being reserved for everyday household use. But precisely for this reason, not a great deal of pottery has survived rough handling. It is actually very rare, as Paul Tippett, Christie's South Kensington expert on European Ceramics, points out.

By a curious coincidence, another Belleek mug, every bit as rare, could be had for exactly the same price, \$66. Painted with a thick gold band along the rim, the cylindrical vessel carries a single band of calligraphy. "Are we downhearted? No!" The rhetorical question and its blunt answer convey Irish political resistance to Britain in the guise of a motto. The black printed mark dates it to the so-called "Second Period" of the Belleek factory (1891-1926), probably in the early 1900s when tensions were running higher than ever. No other such piece from Belleek appears to have been recorded at auction.

It took a lot more to get the finest of Belleek that day but the numbers involved were still minimal, when compared with most other fields. The factory became famous in the last century for its creamy wares in a special kind of porcelain made by mixing gum arabic with kaolin. This made it possible to roll out very thin strands and achieve a remarkable degree of crispness when molding fine details, particularly the naturalistic blossoms and fruits favored by the factory artists.

The gem on Thursday was a circular basket in perfect imitation of wicker with a cover carrying a spray of flowers in high relief. Virtually in mint condition, which is very rare with this amount of elaborate sculptural detail, and larger than most, the



"Monkey tea-set" from Stoke-on-Trent, 1875, left; majolica garden seat.

creamy, glistening piece of the early 20th century must have greatly satisfied the buyer who got it for £1,430.

There was an even better coup to be made in a rarefied area. "Pearlware," another special kind of porcelain with a very smooth appearance, was produced in St. Anthony's Pottery, in Newcastle. Among its rarer creations are neoclassical pieces such as the circular inkwell of the early 19th century included in Thursday's sale.

The impressed mark "Sewell" on the underside firmly dates within the years 1804 to 1828 while the full mark "Sewell & Donkin" on one of the inkwell covers points to a possible replacement some time between 1828 and 1852. To specialist collectors, the remarkable feature about the inkwell lies precisely in the marks, hardly ever found on this model. To art lovers, it is the unique combination of stern geometricism and naturalistic fantasy.

THE sides are incised with interlacing circles and the body of a vase perched on the circular top is molded with lozenge faceted bosses. But the ock of that same vase is in the shape of serrated leaves fanning out, and a lion with crossed legs and a cartoon touch to its frowning mask is irresistible. At £660, the object hardly seemed overpriced. If she chuckled inwardly at the thought, the immensely knowledgeable Liene Richards of the Mercury Antique gallery showed no sign of it as befits hard-

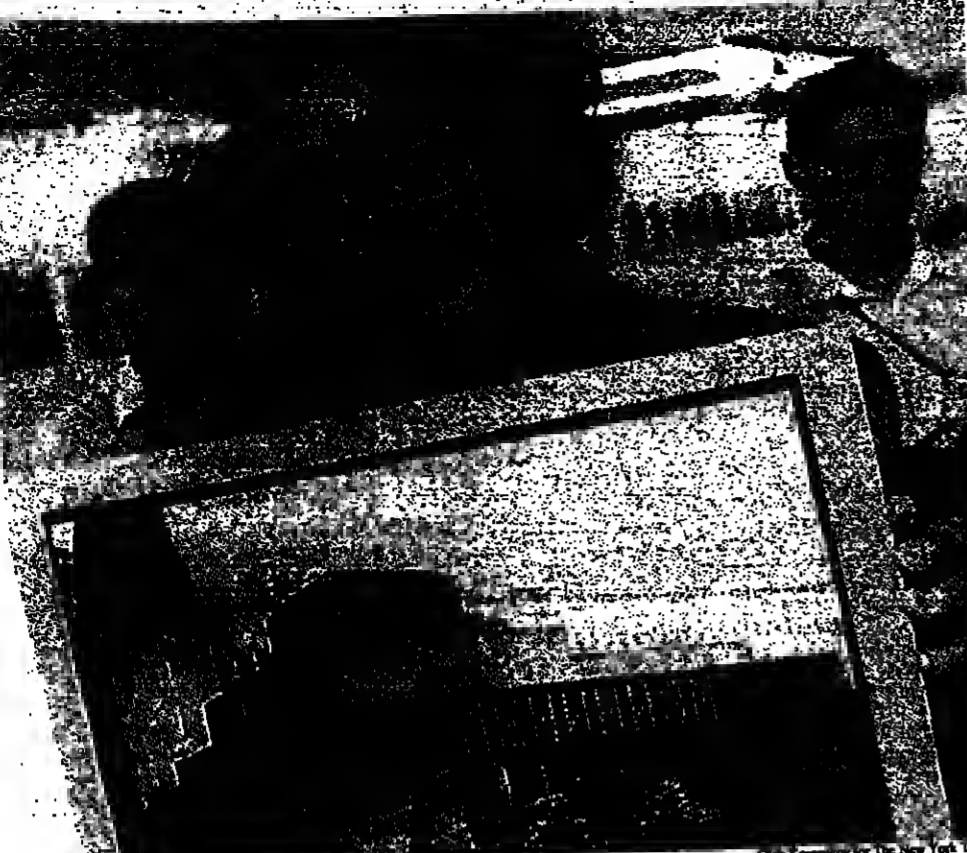
Even more interesting is the garden stool, barrel-shaped as are the Chinese Ming models that have inspired it. The decoration, on a Far Eastern theme, is otherwise vastly different from any Chinese model. The two cranes in low relief that wade energetically through leaves are striking. Despite visible repairs to the once-deep lapis lazuli ground, a specimen worth up to £770, which is about what it would be worth if perfectly preserved, Tippett remarks.

Probably the best Victorian piece that day was the display dish datable to the year 1859 that was commissioned by the Crystal Palace Arts Union. The Tudor rose in the center and the holly and mistletoe in the quartered panels on the rim display the same crisp sculptural effect as the George Jones monkey tea service. Intact, it made a highly reasonable £900. This is the kind of pottery that Edward Burne-Jones and the pre-Raphaelites would have raved about. But unlike their paintings, it has remained virtually untouched by speculators, essentially because wanting to buy these pots requires far greater personal involvement. Those who wish to collect them must first do the rounds of dealers, auction houses and museums to train their eye.

That is equally true of the more traditional wares of the 18th and 19th century. In order to respond to the highly unusual Empire coffee service made at Meissen in the early 19th century, which cost a moderate £278, you must know a lot about Meissen — enough to be sure, for example, that this is not white Meissen decorated elsewhere, perhaps later, with these pictorial scenes in gold frames on broad expanses of white. The Munich dealer who bought them surely has that knowledge, as did the private collector who operated that day.

AS I sat out the 200-lot morning session briskly taken by James Collingridge, I was struck by that indescribable feeling of complexity of quiet mutual understanding, that is perceptible among those who share a sophisticated knowledge and a common purpose. It was a throwback to a distant past, when there was no auction house "spokesmen," no "press releases" — none of the insufferable pretensions that so easily go with art these days. It was another world that survives here and there, on the more modest reborns of the art market to lead its own happy life.

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PRE-COLOMBIAN ART



Vitali Komar holding his concept for an electronic sign on the Lenin mausoleum.

Recasting Leninist Icons

By Steven Erlanger
New York Times Service

MOSCOW — What is to be done, as Lenin's phrase goes, with all the monstrous rubbish of "scientific socialism"? All the fascist iconography and brutal, block-headed statues of factory workers and collective farmers? All the Lenin statues?

Sergei Bazilyev suggests diving, a stake through each Lenin heart; Anton Litvin would tilt them all on their pedestals; another artist would hang signs from their outstretched arms, indicating the number of kilometers from Moscow.

Vladimir Nekrasov, a Russian émigré now in Brooklyn, would take all the remaining Lenins, in their hundreds, and in all their varying attitudes — the gesturing Lenin, the contemplative Lenin, the sitting Lenin, the Lenin belling up to the future — and set them in a direct line from Volgograd (the former Stalingrad) through Moscow and St. Petersburg (the former Leningrad) and out into the Gulf of Finland, thus "expelling communism back to the West, from where it came."

Unfortunately, however, Leninism was almost entirely homegrown, and its social and psychic roots are hardly excuplated so easily, even by parody. Vitali Komar and Alexander Melamid understand that well enough. Two of the Soviet Union's most famous dissenting artists, they left for Israel in 1977, finally settling in the United States.

Founding the Soviet Pop Art, the two men are still partners. During the failed coup in August 1991, they sat watching television in their studio. As the first statues began to topple, they had a strange concern: that the Russian love for rewriting history — wiping out an inconvenient past as a new cult takes hold — would mean the destruction of the icons of this strange socialist period and its civic religion, which sanctified the life and relics of Lenin.

So they asked both Russian and Western artists to imagine new ways to use this monumental propaganda, ways that would also comment on it. To save history, as Komar, 49, suggested in an interview at an art gallery here, but also to make its objects useful for a post-totalitarian age. Joining with Josef Bakshiat, the director of the Institute of Contemporary Art in Moscow, they published an appeal to artists in the May 1992 issue of Artforum magazine.

The result is a show of Conceptual Art appearing simultaneously here for two weeks, at the New Tretyakov gallery wing of the Central House of Artists opposite Gorky Park, and in New York, through Oct. 3, in the Courtyard Gallery of the World Financial Center.

The show, most of it drawings and sketches, is highly uneven, with some proposals, like sticking a naked woman on a Lenin plinth or replacing Lenin's head with Mickey Mouse's, verging on grade-school doodling.

Yekaterina Dyogot, a critic for the newspaper Kommersant, compared much of the work to drawing mustaches on Lenin. "Mental irony is much more delicate," she said.

BUT there are also ideas that are both amusing and powerful. Vladimir Paperny suggests turning the enormous Obelisk to Conquest of Space near the Cosmos Hotel into a children's water slide, while Igor Makarevich would replace the 36-foot (11-meter) rocket at its tip with a 36-foot coffin.

One of the "simplest" ideas was suggested by Art Spiegelman, the cartoonist and author of the "Maus" books. Spiegelman, who said he had Komar show him hundreds of slides of monuments, took the well-known "Worker and Peasant" monument, originally cast for the 1937 World's Fair, and simply shrank its pedestal. Rather than striding purposefully into the future, they would now topple into the abyss with their next step.

A Tribute to Moscow Visionaries

By David Galloway

ESSEN, Germany — The latest acquisition, a canvas by Paul Gauguin, was concealed behind a velvet curtain. As he drew aside the drapery, the chronically stuttering host confided to his guests. "This was painted by one m-m-madman and bought by another m-m-madman." The adventurous collector, Sergei Shchukin, revealed in breaking the noses of Moscow's haute bourgeoisie, but he relished even more his aesthetic safaris through Parisian galleries where the avant-garde spirit was roaring to life. There, in the years before World War I, Shchukin acquired 51 Picassos and 37 works by Matisse. Paintings by Cézanne and Monet, Renoir and Rousseau also numbered among the trophies on view in Shchukin's Moscow palace.



Matisse's Spanish dancer and Picasso's absinthe drinker, in Essen exhibition.

As an energetic, visionary collector of early modernist works, Shchukin had only two significant rivals. One was his compatriot Ivan Morozov, also a Moscow textile baron; the other was Ernst Osthaus, who founded Essen's Folkwang Museum. There is this sweet if belated poetic justice in the fact that the Folkwang is now hosting a show honoring the Russian pioneers.

It is clear that the two collections were shaped by a competitive spirit. Both collectors acquired Cézanne self-portraits and Monet haystacks, just as they vied to possess the most voluptuous works by Gauguin. Matisse, however, remained Shchukin's favorite to the Russian encouragement of formalism, in the dionysian "Music" and "Dance." When Matisse exhibited his primitive art, but from Moscow came a terse telegram: "Desire to acquire your paintings, S.S."

hans held the modernist banner aloft in Germany, but he could hardly compete with the fabulously wealthy Muscovites. In 1914, they possessed between them an inventory that any museum might covet: 18 Monets, 26 Cézannes, 27 Gauguins, 48 Matisse's and 54 Picassos. Four years later, in a decree signed by Lenin, both collections were confiscated and "placed" in the hands of a short-lived "Museum for New Western Art." By that time, however, the collectors had both emigrated — Morozov to Germany, where he died in 1921, Shchukin to Paris, where he lived until his death in 1936.

The museum they so unwittingly founded soon closed its doors to the public; the collectors' names were expunged from official records, and the pictures vanished into storage. They were nonetheless sufficiently valued to be evacuated to Siberia during World War II. Later, they were divided up between the Pushkin Museum in Moscow and the Hermitage in St. Petersburg. Only after Stalin's death did key works emerge from the cellars, though without acknowledgment of their provenance.

The significance of the Essen presentation thus consists of more than a rare chance to view Matisse's breathtaking "Red Room," Picasso's majestic portrait of the dealer Ambroise Vollard or his

hypnotic study of a dazed "Absinthe Drinker." Above all, what is on view here is the passionate pilgrimage of two inspired collectors who bought with their eyes, not their ears, and who risked social scorn rather than seeking a sociable peak on the cheek.

The Essen show, which will also be seen in Moscow and St. Petersburg, represents the collectors' rehabilitation, and it has thus found favor with Shchukin's 78-year-old daughter Irina. Earlier this year, on the occasion of the immensely popular Matisse retrospective in Paris, she sought a court order to have works confiscated from her father's collection removed from the show and returned to the family. She failed in her efforts, but Essen's curators nonetheless breathed a sigh of relief when the heirs agreed to forgo a similar attempt through the German courts. This, after all, is the first public presentation in which the collectors themselves are honored, and Irina Shchukin has wished the Folkwang "a complete success."

The exhibition runs through Oct. 31.

David Galloway is an art critic and free-lance curator based in Wuppertal, Germany.

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APPL	5.00	+0.125	80,000

Symbol	Price	% Chg	Volume
IBM	115.00	+0.125	1,200,000
MSFT	45.00	+0.125	800,000
ORCL	35.00	+0.125	600,000
INTL	25.00	+0.125	400,000
DISC	15.00	+0.125	300,000
WMT	10.00	+0.125	200,000
AMZN	8.00	+0.125	150,000
GOOG	6.00	+0.125	100,000
APPL	5.00	+0.125	80,000

Symbol	Price	% Chg	Volume
IBM	115.00	+0.125	1,200,000
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DISC	15.00	+0.125	300,000
WMT	10.00	+0.125	200,000
AMZN	8.00	+0.125	150,000
GOOG	6.00	+0.125	100,000
APPL	5.00	+0.125	80,000

THE TRIB INDEX: 105.92

International Herald Tribune World Stock Index, composed of 230 internationally investable stocks from 20 countries, compiled by Bloomberg Business News, Jan. 1, 1992 = 100.



The index tracks U.S. dollar values of stocks in Tokyo, New York, London, and Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Italy, Netherlands, New Zealand, Norway, Singapore, Spain, Sweden and Switzerland.

Table with 3 columns: Asia/Pacific, Europe, N. America. Rows include Energy, Utilities, Finance, Chemicals, Consumer Goods, Capital Goods, Raw Materials, Miscellaneous.

Kodak Fires Its Chairman

Deeper Cost Cuts Needed, It Says

NEW YORK — Eastman Kodak Co., citing the need for deeper and faster cost cuts on Friday, fired its chairman and chief executive officer.

The world's largest photographic-paper and film maker said it would look outside its management ranks for a successor to Kay R. Whitmore as chairman and chief executive.

Kodak's board of directors said in a statement that "there is a clear need to move faster and further on operating cost efficiencies and enhanced earnings."

In a message to employees, Mr. Whitmore, who will stay on as chief executive until a replacement is found, said the board believed "Kodak should do more, faster on earnings improvement and cost efficiencies."

Mr. Whitmore, 60, has been under fire since the departure of Christopher Sweeney, a turnaround specialist, as chief financial officer on April 28.

After 35 years with Kodak, Mr. Whitmore became the latest corporate chief to fall victim to shareholders and outside directors.

"Kodak earned \$1 billion last year," Mr. Goizmeta said. "Kodak is a successful company which must be more successful."

Kodak has hired an executive search firm to find someone outside the company to replace Mr. Whitmore.

EC Plan 'Alive and Well' Unity Effort Outlasts Currency Crisis

By Laura Colby

PARIS — Europe's currency grid may be on the rocks, and monetary union is a speck on the horizon, but broader plans for European unity ranging from the single market to common trade policies are still on course.

The single market "is alive and well as much as it was before the crisis," said Riccardo Perissich, who led the single-market program and is currently the European Community's director-general for industry.

A single currency "is not necessary" for further EC unity, said Andrew Milligan, an economist at Smith New Court in London. "It's an added extra."

European unity is about a lot more than having a single currency. The Community's goal of becoming a single trading bloc in which goods, services and people can move freely has not been affected, even though the goal of monetary union was undeniably dealt a serious setback when EC currencies broke out of their system of pegged exchange rates last week.

The Community's trade policy toward other major partners such as the United States and Japan is unchanged, as is its newly reformed Common Agricultural Policy and its economic-stimulus program that includes spending 5 billion European currency units (\$5.65 billion) on infrastructure projects.

Last week's currency problems stemmed from the Community's attempts to bind its monetary policies together even though its two key members, France and Germany, had diverging domestic interests that made this all but impossible.

U.S. Joblessness Dropped in July To a 2-Year Low

Compiled by Our Staff From Dispatches

WASHINGTON — The U.S. unemployment rate dipped to its lowest level in nearly two years during July, while businesses added a modest 162,000 jobs to their payrolls, the government said Friday.

The jobless rate fell to 6.8 percent from 7.0 percent in June, sliding to its lowest mark since the 6.8 percent rate in September 1991.

Separately, Laura D'Andrea Tyson, the chairman of the president's council of economic advisers, said she expected the economy to grow "in the neighborhood" of 2.1 percent this year, down about 1 percentage point from the earlier official estimate of 3.1 percent growth.

The improvement in the unemployment rate, the most politically sensitive of all the government's economic indicators, was certain to be hailed by the administration.

Alien Sinai, the top analyst for Economic Advisers to New York, was less encouraged by the economy's trading gait. "More jobs are always better than fewer," Mr. Sinai said.

Germany's recession drove unemployment up in July. Page 11.

ECONOMIC SCENE

Deficit-Reduction Won't Boost Low U.S. Savings

By Peter Passell

NEW YORK — The deficit-reduction plan that President Bill Clinton was trying to squeeze through Congress this week promised to reduce the federal budget deficit by close to \$500 billion over five years.

But to William Gale and Robert Litan, economists at the Brookings Institution, this glass is decidedly half empty. By their reckoning, the fact that Washington has turned itself inside out just to buy a few years' grace on the deficit is evidence the long-term fight for fiscal rectitude has already been lost.

Their startling alternative, to be published next month in the Brookings house journal, mandatory private savings to offset the government's unwillingness to tax as much as it spends.

The premise is simple. Mr. Gale and Mr. Litan pointed out that the budget package would reduce the deficit to a still-substantial 3 percent of national output. After 1998, the percentage would begin to rise unless spending was cut or taxes were raised through a new deficit-cutting package.

Japan runs as large a deficit as the United States when it is calculated as a fraction of national income, they noted. But no one, or, at least no economist outside Japan — worries because families and corporations still generate more than enough savings to finance high rates of domestic investment.

Some analysts who acknowledged the deficit was a savings problem said incentives for savings were the solution. Indeed, that is why Washington offered a variety of tax benefits to encourage savings during the 1980s.

But the Brookings team said it was skeptical about tax incentives. In spite of all those incentives for savings under President Ronald Reagan, they pointed out, the overall private savings rate fell to a record low.

Research on the most popular of these initiatives, individual retirement accounts, suggested they added barely a tenth of a percentage point to the savings rate. Much of the tax benefit, it

See SAVINGS, Page 12

Brookings economists suggest forced savings.

Stocks and Mark Rise on Rate-Cut Expectations

London and Paris Stocks Close at Highs

Compiled by Our Staff From Dispatches

LONDON — The London and Paris stock markets rose to record closing levels Friday as investors appeared convinced that lower European interest rates were just around the corner.

The Frankfurt market closed at a high for the year, and Milan made a strong showing as well. The European component of the International Herald Tribune World Stock Index rose 0.94 percent to 100.72.

The FT-SE index of 100 leading British shares ended at 2,969.80, up 26.4 points, beating the previous record set of 2,957.30 set March 8. London dealers said trading surged in the afternoon as the market went past the previous closing high.

After stocks had rallied for nine days, traders sold stock Wednesday and Thursday thinking the rally would fall off, allowing them to buy back the stock at a cheaper price, said Tony Broccardo of Nomura Research Institute.

Gainers included Euro Disney, which rose 25 percent to 688 pence (\$10.32), and British Aerospace, which was up 9 percent to 113 on the announcement it was selling its business-jet division to Raytheon for \$250 million.

In Paris, the CAC-40 index jumped 1.63 percent to 2,149.83, more than eight points above its previous high, reached in April 1990.

France Makes a First Step

Compiled by Our Staff From Dispatches

PARIS — The Bank of France made a gesture to ease high money market rates on Friday, but its tentative move drew home the government's message that there will be no dash to cut interest rates after the virtual float of the franc.

Currency traders, however, were moving toward the mark as they continued to assume rate reductions in France and several other countries were just a matter of time.

Many had expected the government to take advantage of a dramatic widening of the franc's fluctuation bands within Europe's exchange-rate mechanism by slashing interest rates to help its recession-hit economy.

But it waited four days for its first move, which turned out to be a token maneuver to cut the cost of short-term money.

The central bank on Friday reopened a key lending facility, its five-to-10-day repurchase rate, for banks at 10 percent. The rate, normally used by banks for last-resort borrowing, had been suspended on July 22 to discourage speculation against the franc.

Unlike Britain, which slashed interest rates when the pound was driven out of the ERM last September, France is making clear monetary convergence with Germany remains its prime goal, according to economists.

"This marks the beginning of the monetary easing process," said one economist at a large French bank, who asked not to be identified. "But it will be slow. They're not going to do a Britain."

Some economists said the Bank of France also had other good reasons for keeping the cost of money high. The bank spent more than 100 billion francs (\$16.95 billion) of foreign-currency reserves in just five days late last month to try to

See MARK, Page 10

VW and Opel Workers Deplore Dispute

Compiled by Our Staff From Dispatches

WOLFSBURG, Germany — Workers at Volkswagen and Opel appealed Friday for their companies to end a damaging battle over allegations of industrial espionage.

In a joint statement, committees of employees at the two automakers urged managements to avoid worsening the controversy that has raged since VW hired a former General Motors vice president, José Ignacio López de Arriortúa, to become its production director.

General Motors, which owns Adam Opel AG, accused VW of luring away its vice president — who had performed wonders in cost cutting — and it accused Mr. López of industrial espionage.

The Darmstadt public prosecutor is investigating allegations that Mr. López took industrial secrets when he left GM.

Four boxes of documents were discovered in an apartment of two former Opel employees.

The appeal for an end to the conflict, issued by Klaus Volkert from VW and Rudolf Müller from Opel, after a meeting on Friday, said sales would be hurt sooner or later by the dispute.

The conflict, the workers added, was undermining workers' security, noting that thousands of jobs were directly affected.

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CURRENCY & INTEREST RATES

Table with multiple columns: Cross Rates, Eurocurrency Deposits, Key Money Rates, Other Dollar Values, Forward Rates, Gold. Includes various financial data points and interest rates.

Advertisement for 'THE FRONT PAGE 1887-1992' featuring a collage of historical images and text describing the book's content.

Order form for 'THE FRONT PAGE 1887-1992' with fields for name, address, city, country, and payment information.

MARKET DIARY

Bonds Give Boost To Stock Market

NEW YORK — A late recovery in bond prices gave a boost to stocks Friday, ending the week's trading with a small gain.

The Dow Jones industrial average rose 11.46 points to 3,560.43, while advancing issues on the New York Stock Exchange outnumbered decliners by an 8-10-7 ratio.

N.Y. Stocks

The Nasdaq composite index of over-the-counter stocks extended its recent climb to record heights, rising 2.58 points, to 718.08.

Bond prices were mixed for the day, but although long-term issues registered losses in late trading, they recovered from a sharper fall as the market seemed to think President Bill Clinton's deficit-cutting plan would be passed. The plan seemed to hinge on one vote, that of Senator Bob Kerrey, Democrat of Nebraska. A Republican effort to have retroactive tax increases in the plan failed, removing an obstacle to its passage.

The bellwether 30-year Treasury bond fell 3/32, to 107 25/32, rising its yield to 6.53 percent from 6.52 percent on Friday. The yield was 6.56 percent Friday afternoon.

The deficit-reduction plan would clearly have positive effects on the bond market by reducing the government's borrowing need and de-

pressing inflation, but its effects on stocks would be mixed: although low interest rates that result from rising bond prices are good for equities, the higher taxes and reduced spending in the program would be a drag on economic growth.

Much of the rise in the Dow was accounted for by a surge in Eastman Kodak, which fired its chairman and indicated it would expand its cost-cutting measures. It was the most-active issue on the New York Stock Exchange, up 3/4 to 58 1/2.

Mylan Laboratories was the second-most active Big Board issue, up 2 1/2 to 23. The drug company said it could not account for the recent drop in its stock over recent weeks, but sought to reassure Wall Street that it was "in the strongest financial position ever and there are absolutely no problems at the company."

Motor Coach Industries, spun off from Dial Corp. on Thursday, was next, up 1/2 at 12 1/2 but still below its \$13 offering price.

Leading the American Stock Exchange active unchanged at 3/32 were short-term rights to purchase warrants for Elan Corp., an Irish pharmaceuticals company, and stock in Advanced Therapeutic Systems, an associated company. Elan's American depository receipts, which were recommended by Kidder Peabody earlier in the week, rose 1/2 to 29 1/2.

MARK: German Currency Gains

Continued from Page 9

propp up the franc. Estimates of how much it needs to recoup its total gain as high as 300 billion francs.

The central bank has started rebuilding its reserves, which involves selling francs. To underprop the franc while it does this, it needs to keep the cost of money tight.

The franc slipped a little against the Deutsche mark after the Bank of France's move Friday, and the mark rose to 3.4750 francs. But this was still just 1.3 percent above its old ERM ceiling of 3.4305 francs.

The mark's high against the franc this week came on Monday, at 3.5307 francs, immediately after the widening of the trading bands for European currencies.

Other European currencies fell against the mark Friday, as in most cases in France, Belgium and Denmark were viewed as unsustainably high, currency dealers said.

The mark also rose to 4.015 Danish kroner from 3.965 kroner Thursday. The Belgian franc closed at 21.20 to the mark, outside its old trading range.

(AFP, Reuters, Knight-Ridder)

Dollar Drifts Downward

The U.S. dollar and most European currencies eased against the

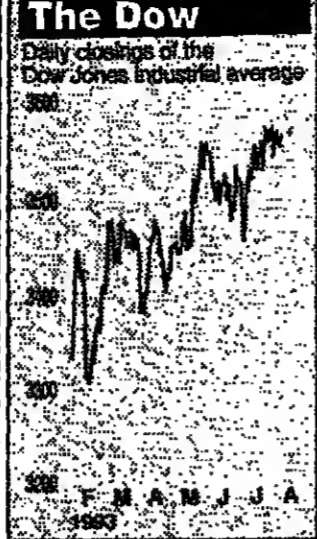
Russia Seeks Debt Write-Off

WASHINGTON — Russia plans to ask major industrial countries and international banks to write off a big chunk of the nearly \$80 billion in debt it owes them, a senior Russian official said on Friday.

The surprise request, which Russia has yet to make formally, could run into opposition from some Western nations already providing billions of dollars in aid to Moscow.

"We want a large debt reduction from our creditors," Konstantin Kagalovsky, Russia's representative at the International Monetary Fund, said in an interview. He said that Russia did not have the means to pay off all the debts and would be forced into an eventual default if its debt burden was not reduced.

The Dow



Dow Jones Averages

Index	Open	High	Low	Last	Chg.
Indus	3559.57	3560.43	3551.17	3560.43	+11.46
Transp	1295.31	1300.00	1290.00	1295.31	+5.00
Util	1314.18	1320.00	1305.00	1314.18	+9.00

Standard & Poor's Indexes

Index	High	Low	Close	Chg.
Industrials	582.00	579.00	580.00	+0.99
Utilities	178.00	177.00	177.00	+0.00
Finance	152.00	151.00	151.00	+0.00
SP 500	429.00	428.00	428.00	+0.00
SP 100	415.00	414.00	414.00	+0.00

NASDAQ Indexes

Index	High	Low	Close	Chg.
Composite	721.10	718.08	720.00	+1.92
Industrials	563.00	560.00	560.00	+3.00
Finance	200.00	198.00	198.00	+2.00
Utilities	99.00	97.00	97.00	+2.00
Transp.	69.00	68.00	68.00	+1.00

NYSE Most Active

Symbol	Vol.	High	Low	Last	Chg.
IBM	4581	109 1/2	109 1/4	109 1/2	+1/4
Microsoft	3299	34 1/2	34 1/4	34 1/2	+1/4
Oracle	2211	27 1/2	27 1/4	27 1/2	+1/4
Intel	1978	21 1/2	21 1/4	21 1/2	+1/4
Motorola	1728	23 1/2	23 1/4	23 1/2	+1/4
Apple	1672	21 1/2	21 1/4	21 1/2	+1/4
Comcast	1572	19 1/2	19 1/4	19 1/2	+1/4
WorldCom	1472	17 1/2	17 1/4	17 1/2	+1/4
Verizon	1372	15 1/2	15 1/4	15 1/2	+1/4
AT&T	1272	13 1/2	13 1/4	13 1/2	+1/4

AMEX Most Active

Symbol	Vol.	High	Low	Last	Chg.
Eastman	2000	58 1/2	58 1/4	58 1/2	+3/4
Mylan	1500	23 1/2	23 1/4	23 1/2	+2 1/2
Motor Coach	1000	12 1/2	12 1/4	12 1/2	+1/2
Advanced	800	162.00	161.00	162.00	+0.00
Advanced	700	162.00	161.00	162.00	+0.00
Advanced	600	162.00	161.00	162.00	+0.00

NYSE Diary

Category	Change	Prev.
Advanced	775	696
Declined	105	1055
Unchanged	230	2305
Total Issues	1010	4056
New Issues	10	10

Amex Diary

Category	Change	Prev.
Advanced	230	230
Declined	10	10
Unchanged	10	10
Total Issues	250	250
New Issues	10	10

NASDAQ Diary

Category	Change	Prev.
Advanced	1428	1318
Declined	174	174
Unchanged	174	174
Total Issues	1776	1666

EUROPEAN FUTURES

Contract	High	Low	Last	Settle	Chg.
3-MONTH STERLING (LIPFF)	142.00	141.50	141.75	141.75	+0.25
3-MONTH EURO (LIPFF)	111.00	110.50	110.75	110.75	+0.25
3-MONTH DOLLAR (LIPFF)	111.00	110.50	110.75	110.75	+0.25

Food

Contract	High	Low	Last	Settle	Chg.
WHITE SUGAR (CME)	20.00	19.50	19.75	19.75	+0.25
SOYBEAN OIL (CME)	22.00	21.50	21.75	21.75	+0.25
WHEAT (CME)	1.50	1.45	1.47	1.47	+0.02

Metals

Contract	High	Low	Last	Settle	Chg.
ALUMINUM (COMEX)	1.20	1.18	1.19	1.19	+0.01
COPPER (COMEX)	1.50	1.48	1.49	1.49	+0.01
ZINC (COMEX)	0.80	0.78	0.79	0.79	+0.01

Stock Indexes

Index	High	Low	Last	Settle	Chg.
FTSE 100 (LSE)	2500	2480	2490	2490	+10
DAX (EUREX)	1200	1180	1190	1190	+10
Nikkei 225 (TOYO)	15000	14800	14900	14900	+100

Spot Commodities

Commodity	Price	Change
Crude Oil	22.50	+0.10
Gold	380.00	+5.00
Silver	16.00	+0.10

Dividends

Company	Dividend	Yield
IBM	0.50	4.5%
Microsoft	0.25	7.3%
Oracle	0.10	4.5%

Market Sales

Index	Volume	Value
NYSE	1.2B	\$1.5B
AMEX	0.2B	\$0.3B
NASDAQ	0.8B	\$1.0B

N.Y.S.E. Odd-Lot Trading

Symbol	Buy	Sell	Start
IBM	14581	14581	109 1/2
Microsoft	3299	3299	34 1/2
Oracle	2211	2211	27 1/2

S&P 100 Index Options

Contract	High	Low	Last	Settle	Chg.
SP 100 CALL	110.00	109.50	109.75	109.75	+0.25
SP 100 PUT	110.00	109.50	109.75	109.75	+0.25

U.S. FUTURES

Contract	High	Low	Last	Settle	Chg.
3-MONTH STERLING (LIPFF)	142.00	141.50	141.75	141.75	+0.25
3-MONTH EURO (LIPFF)	111.00	110.50	110.75	110.75	+0.25

Grains

Contract	High	Low	Last	Settle	Chg.
WHEAT (CBOT)	1.50	1.45	1.47	1.47	+0.02
SOYBEAN (CBOT)	2.50	2.45	2.47	2.47	+0.02
CORN (CBOT)	1.20	1.15	1.17	1.17	+0.02

Metals

Contract	High	Low	Last	Settle	Chg.
ALUMINUM (COMEX)	1.20	1.18	1.19	1.19	+0.01
COPPER (COMEX)	1.50	1.48	1.49	1.49	+0.01
ZINC (COMEX)	0.80	0.78	0.79	0.79	+0.01

Livestock

Contract	High	Low	Last	Settle	Chg.
LEAN HOGS (CME)	40.00	39.50	39.75	39.75	+0.25
CATTLE (CME)	70.00	69.50	69.75	69.75	+0.25

Financial

Contract	High	Low	Last	Settle	Chg.
3-MONTH STERLING (LIPFF)	142.00	141.50	141.75	141.75	+0.25
3-MONTH EURO (LIPFF)	111.00	110.50	110.75	110.75	+0.25

Food

Contract	High	Low	Last	Settle	Chg.
WHITE SUGAR (CME)	20.00	19.50	19.75	19.75	+0.25
SOYBEAN OIL (CME)	22.00	21.50	21.75	21.75	+0.25

Financial

Contract	High	Low	Last	Settle	Chg.
3-MONTH STERLING (LIPFF)	142.00	141.50	141.75	141.75	+0.25
3-MONTH EURO (LIPFF)	111.00	110.50	110.75	110.75	+0.25

Food

Contract	High	Low	Last	Settle	Chg.
WHITE SUGAR (CME)	20.00	19.50	19.75	19.75	+0.25
SOYBEAN OIL (CME)	22.00	21.50	21.75	21.75	+0.25

Financial

Contract	High	Low	Last	Settle	Chg.
3-MONTH STERLING (LIPFF)	142.00	141.50	141.75	141.75	+0.25
3-MONTH EURO (LIPFF)	111.00	110.50	110.75	110.75	+0.25

Food

Contract	High	Low	Last	Settle	Chg.
WHITE SUGAR (CME)	20.00	19.50	19.75	19.75	+0.25
SOYBEAN OIL (CME)	22.00	21.50	21.75	21.75	+0.25

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3-MONTH EURO (LIPFF)	111.00	110.50	110.75	110.75	+0.25

U.S. / AT THE CLOSE

SEC Seeks New Executive-Pay Rules

WASHINGTON (AP) — Federal stock-market regulators proposed Friday refinements in rules for U.S. corporations to explain to their shareholders how much they pay top executives.

In its first meeting run by the new chairman, Arthur Levitt Jr., the Securities and Exchange Commission voted to seek public comment on changes in executive-pay disclosure rules adopted last October.

The proposals would require companies to list compensation packages for any of the top five executives who left during the financial year, demand more details on the value of stock options, expand the number of companies that must report restricted stock granted executives and change the formula for calculating a company's performance.

U.S. and Canada Settle 'Beer War'

WASHINGTON (NYT) — The United States and Canada have settled a five-year trade dispute that had threatened to result in sharply higher prices in the U.S. for Canadian beer.

The U.S. trade representative, Mickey Kantor, and the Canadian trade minister, Thomas Hockin, struck the deal Thursday during a recess from their negotiations on labor and environmental issues linked to the North American Free Trade Agreement.

By eliminating punitive U.S. taxes on beer from Ontario, the agreement "ends the beer war," Mr. Hockin said.

Turner Talking With Film Company

NEW YORK (AP) — The movie production company New Line Cinema Corp. said Friday it was in negotiations with Turner Broadcasting System, headed by Ted Turner, about a business combination.

Mr. Turner is reportedly interested in striking an alliance with a film company to increase his company's stature among producers and increase the supply of programs for its cable and broadcast channels.

New Line, which is best known for the films "Nightmare on Elm Street" and "Teenage Mutant Ninja Turtles," acknowledged the talks in a one-sentence statement.

Northwest Completes Restructuring

MINNEAPOLIS (Reuters) — Northwest Airlines said Friday it had completed the final agreements in a sweeping restructuring of its finances and labor contracts.

This involves cost reductions of more than \$1.2 billion over three years, a new repayment schedule for more than \$1.5 billion and an equity sale to employees in exchange for labor-cost cuts, the airline said.

The vast overhaul of Northwest's heavy debt burdens and labor contracts wraps up months of negotiations with lenders and unions. Just a month ago, the carrier was on the brink of seeking bankruptcy protection, which would likely have brought deep wage cuts.

New Executive at Chock Full O' Nuts

NEW YORK (Knight-Ridder) — Chock Full O' Nuts Corp. said Friday that Marvin Haas had been named chief executive officer, replacing Joseph Breslin. The company said Mr. Breslin, chairman of the board as well as chief executive, had resigned to pursue other interests.

Chock Full O' Nuts also said it would take an after-tax charge in financial 1993 of \$75,000, or 5 cents per share, to give Mr. Breslin a settlement, including severance pay, under his agreement.

Chock Full O' Nuts, based in New York, is best known for its coffee, which bears the company's name. It is also one of the largest marketers of food-service and private-label coffees, teas and related products.

For the Record

A civil jury in Mississippi has found Westinghouse Electric, Dresser Industries and Colonial Sugar Refinery of Australia guilty of distributing items containing asbestos and ordered them to pay damages and penalties that could total hundreds of millions of dollars.

The New York Stock Exchange earned \$162 million in the second quarter, up from \$16 million a year ago, as trading volume and new listings set records.

(Bloomberg)

WORLD STOCK MARKETS

Agencies: Reuters, Knight-Ridder

Market	Index	High	Low	Last	Chg.
Amsterdam	100	100.00	99.50	99.75	+0.25
Brussels	100	100.00	99.50	99.75	+0.25
Frankfurt	100	100.00	99.50	99.75	+0.25
London	100	100.00	99.50	99.75	+0.25
Madrid	100	100.00	99.50	99.75	+0.25
Paris	100	100.00	99.50	99.75	+0.25
Singapore	100	100.00	99.50	99.75	+0.25
Tokyo	100	100.00	99.50	99.75	+0.25
Zurich	100	100.00</			

Italian Firms Sail Into New World

Law on Bank Holdings Undermines Family Empires

By Karina Robinson
Special to the Herald Tribune

LONDON — The Italian economy, long dominated by family-owned enterprises, seems to be moving more toward the German model of an economy dominated by banking companies as a result of a new law.

In a reversal of a law dating from 1936, commercial banks are to be allowed to take stakes of as much as 15 percent in other companies. Although the new law merely brings Italian practice in line with an EC directive on the subject, commentators point out that it was introduced a few weeks before the Ferruzzi debacle, when the debt-laden industrial and agricultural group was forced to cede control to its creditor banks.

The Bank of Italy insists the new law is not just a dressed-up attempt to save troubled companies. But doubtful debts in the corporate sector are estimated at between 50 trillion and 70 trillion lire (\$3.18 billion and \$43.65 billion), and the research organization Prometeia is forecasting a 20 percent increase this year.

Even Treasury Minister Piero Barucci has pointed out the troubled state of much of corporate Italy. At a recent conference of ABI, the Italian bank association, he alluded to 10 groups — in "water up to their necks," as he put it — that could no longer service their debts, and he said he was studying fiscal incentives to help.

Mario Noiera, chief economist at the Milan brokerage house Eurocombiare, sees the situation as much more widespread. "The authorities in general are worried about a crisis in the banking sector due to the possible default of all the big groups," he said.

Partly in a bid not to lose control of their companies, the big family owners — with a few notable exceptions — did not make use

of international capital sources or the stock market to raise funds. And in their good years, they often failed to reinvest their profits in research and development and in improving their products to keep up with foreign competition.

Pirelli SpA, Ferruzzi and Olivetti SpA, among the largest family-controlled listed companies, are all forecasting losses this year. Fiat SpA is expected to avoid a loss only by selling off assets.

Most of these companies have been re-structuring in the last year or two, some more successfully than others. But this has not been enough, and the Bank of Italy is believed to have pushed the new law in the hope that the scarcity of capital can be partly resolved by having the banks take stakes in companies.

Allowing banks to turn bad debts into equity will also have the effect of making bank balance sheets look healthier. This is especially important when the government is trying to privatize a number of banks, including Credito Italiano, which is one of the largest creditors of the Ferruzzi group.

But with the French government's major privatization plan, which includes at least

three banks, also getting under way, it is questionable whether international investors will find Italian banks more appealing.

The end result, though, between the troubled companies and the privatization candidates, will be a stock market dominated by the banks. Mr. Noiera estimates that the banking companies have about 42 trillion lire available for possible investment in equity stakes.

But although the banks seem set to become more powerful, it seems unlikely they will ever achieve the power of the so-called universal banks in Germany. Apart from their lack of capital, Standard & Poor's Corp. says it has some concern about the asset quality of Italian banks as a result of their rapid expansion in the mid-1980s.

Umberto Malocchi at Banca Internazionale Lombarda sees still another turn in the story, sketching this scenario for 20 years from now: "Italy will become a conquered land. The Italian families will have diminished roles, as they are no longer in a position to cope with competition. The banks will go in temporarily but will cede their stakes to foreign groups, who will dominate as we need size to compete on a world basis."

He cites Fiat, which despite its persistent denials of an accord with Renault, he says, is bound to enter an alliance with another carmaker. Olivetti is increasing its ties with Digital Equipment Corp., and Pirelli's failed attempt to merge with Germany's Continental AG, he says, only means another tire company will become involved.

But whether foreigners take over Italian industry, or Italian banks dominate the economy, the one sale that seems to be the families' last hope is to sell their stakes on its business names will find their roles considerably reduced.

German Jobless Grow, Underlining Recession's Depth

By Ferdinand Prottman
New York Times Service

FRANKFURT — Germany's persistent recession drove West German unemployment in July up to 7.5 percent of the work force, the highest level for the month since the government began keeping records in 1949, the Federal Labor Office said Friday.

The sharp rise in unemployment combined with a spate of recent weak economic indicators to dampen hopes that Germany's worst recession of the post-war era is bottoming out and that recovery could begin before 1994. The government this week released June figures showing industrial output and industrial orders had declined, while inflation rose.

Over the past two months, some government and private economists have claimed the worst of the recession is over and that economic growth will return late this year.

Since Germany has the largest economy and strongest currency in Europe, a recovery here is a virtual precondition for a rebound elsewhere in Europe. But many experts believe the bottom has not yet been reached yet.

The low point has not yet been reached," said Bernhard Jagoda, president of the Federal Labor Office.

Friday's unemployment figures supported that view. West German unemployment rose to 2.3 million

up 27 percent from July 1992. The unemployment rate rose to 7.5 percent from 7 percent in June.

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Exchange	Index	Friday Close	Prev. Close	Change
Frankfurt DAX		2,200.00	2,180.00	+20.00
London FTSE 100 Index		2,850.00	2,840.00	+10.00
Paris CAC 40		2,200.00	2,180.00	+20.00
Amsterdam AEX		1,200.00	1,180.00	+20.00
Brussels Stock Index		2,850.00	2,840.00	+10.00
Frankfurt DAX		2,200.00	2,180.00	+20.00
Frankfurt FAZ		2,200.00	2,180.00	+20.00
Helsinki HEX		1,200.00	1,180.00	+20.00
London Financial Times 100		2,850.00	2,840.00	+10.00
London FTSE 100		2,850.00	2,840.00	+10.00
Nairobi General Index		2,200.00	2,180.00	+20.00
Nairobi NSE		2,200.00	2,180.00	+20.00
Paris CAC 40		2,200.00	2,180.00	+20.00
Stockholm Allsecurities		1,200.00	1,180.00	+20.00
Stockholm Stock Index		1,200.00	1,180.00	+20.00
Zurich SSS		2,200.00	2,180.00	+20.00

Swissair's Loss Edges Higher

ZURICH — Swissair said Friday that its net loss had increased to 125 million francs (\$82.5 million) in the first half, from 116 million francs in the same 1992 period, due to a "ruthless price war." It said it would cut 1,000 jobs.

The airline said it did not "foresee a revenue turnaround" in the second half. Revenue rose 2 percent in the first half, to 2,467 billion francs, while costs rose 3 percent to 2,407 billion francs.

Swissair said the troubled state of the world's air-transport industry.

Very briefly:

- Virgin Group PLC lost its bid to overturn a ban on Sunday business at its Megastore in Paris, but a French court cut the fine it faces to 1 million francs (\$168,535) a week from an earlier 4 million francs.
- Lyonnais des Eaux-Dumez SA, the building and waste-management company, sold its 13 percent stake in Vallourec SA, a steel-tube maker.
- VCI the German chemicals-industry association, said it did not expect any domestic growth this year, although foreign sales might improve.
- Mitteldeutsche Kali AG, an East German salt and potash producer, told workers staging a hunger strike at its Bischofferode plant they must abandon the protest by Aug. 20 or the facility would be closed. It is scheduled to be shut at the end of the year, in conjunction with a takeover by BASF AG.
- The EC Commission said it was opening an anti-dumping inquiry into U.S. soda-ash imports into the European Community. The substance, also called disodium carbonate, is used in industrial processes, and EC companies said the U.S. share of the market rose to 11.3 percent in 1992 from 0.9 percent in 1990.
- United Cinema International Multiplex BV, a joint venture between Paramount Pictures Corp. and MCA Inc. that operates movie theaters, will be examined by the EC Commission under fair-competition rules.

UNITY: Drive Toward Single European Market Survives Currency Crisis

Continued from Page 9

Trade have been less harmonious, owing to France's disagreement with other members on farm subsidies. Still, the Community's clout is undeniably greater than that of the individual countries.

On agriculture, always one of the most controversial topics among European countries, "the EC has begun to succeed in bringing much more rationalization and beginning to deal with protectionism," said Mr. Calamaro, citing the recent overhaul of its farm-payments system.

The Community is also well on the way to accomplishing its goal of a single internal market, even though it failed to meet its deadline of Jan. 1, 1993, for all legislation to be in place. About 90 percent of the laws required for the single market have been approved by the Community, and about 80 percent have been implemented by the member states, officials estimate.

These laws coordinate matters ranging from the sale of insurance policies to levels of sales tax on a new car. They have already been effective in forcing governments to open public contracts to bidders from all EC countries, to take one example. The main failure has been in the plan to allow people to move freely across EC borders without

Germany Fixes Deadline For Air Accord With U.S.

BONN — The German government, which has threatened to cancel its civil-aviation agreement with the United States, on Friday set a Sept. 15 deadline for talks on a new accord.

The Transport Ministry said it had also proposed a seven-year interim pact. This would restrict U.S. airline activity in Germany ahead of a final treaty to be implemented in the year 2000. It would allow German airlines greater access to U.S. skies and calls for a gradual reduction of American services from Germany to third nations.

The German proposals are part of talks aimed at replacing a 1955 agreement that allows U.S. air carriers virtually unlimited access to

Germany Fixes Deadline For Air Accord With U.S.

any passport checks. But that plan, Brussels officials say, will go ahead soon.

International corporations, in particular, favored monetary union because a single currency would enable them to adopt pan-European strategies without concern for exchange-rate gyrations.

In fact, thanks to the growing ties among European nations, the companies — like investors and some governments — already have a surrogate single currency: the Euro. Based on a basket of EC currencies, the unit is widely used as a way of hedging foreign-exchange risks. There are some \$100 billion of Euro-denominated bonds outstanding, and some traders say the sector could get a boost now that the possibility of fluctuation among the different EC currencies is greater.

Thorn Calls Off GEC Talks

LONDON — Thorn EMI PLC said Friday it was calling off discussions for the sale of its military-electronics operations to General Electric Co. of Britain.

In a statement, the electronics and leisure concern said the "discussions proved inconclusive and, therefore, have now been brought to a close."

Thorn EMI reported on July 9 that it was considering the sale of the military part of its electronics business, but excluding its Thorn Security or civil division, to GEC. Analysts said at the time that such a sale could raise \$140 million to \$160 million (\$210 million to \$240 million).

In late May, Thorn reported that its pretax profit had surged 96 percent in the year ended March 31, to £289.9 million, from £147.9 million the year before.

Bonn Cuts Russia Trade Prop

BONN — The German government, losing patience with Moscow's persistent defaults, will stop export-credit guarantees for trade with Russia until its record improves, the Ministry of Economics said Friday.

"The high risk of default has made this step necessary," a spokesman said.

Most German companies refuse to do business with countries like Russia that are perceived as risky unless Bonn gives guarantees. Until now the government, grateful to Moscow for its cooperation in the reunification of the two Germanys, has been willing to do this.

Bonn announced in May that it had been forced to pay out 955 million Deutsche marks (\$562 million) in deals in which successor countries to the Soviet Union had defaulted.

12 Month High	12 Month Low	Div	Yld	PE	52 Wk High	52 Wk Low	Change
1.00	0.50	0.00	4.00	15.00	1.20	0.80	+0.10
1.50	0.75	0.00	3.50	18.00	1.80	1.20	+0.20
2.00	1.00	0.00	3.00	20.00	2.40	1.60	+0.30
2.50	1.25	0.00	2.50	22.00	3.00	2.00	+0.40
3.00	1.50	0.00	2.00	25.00	3.60	2.40	+0.50
3.50	1.75	0.00	1.50	28.00	4.20	2.80	+0.60
4.00	2.00	0.00	1.00	30.00	4.80	3.20	+0.70
4.50	2.25	0.00	0.50	35.00	5.40	3.60	+0.80
5.00	2.50	0.00	0.00	40.00	6.00	4.00	+0.90
5.50	2.75	0.00	0.00	45.00	6.60	4.40	+1.00
6.00	3.00	0.00	0.00	50.00	7.20	4.80	+1.10
6.50	3.25	0.00	0.00	55.00	7.80	5.20	+1.20
7.00	3.50	0.00	0.00	60.00	8.40	5.60	+1.30
7.50	3.75	0.00	0.00	65.00	9.00	6.00	+1.40
8.00	4.00	0.00	0.00	70.00	9.60	6.40	+1.50
8.50	4.25	0.00	0.00	75.00	10.20	6.80	+1.60
9.00	4.50	0.00	0.00	80.00	10.80	7.20	+1.70
9.50	4.75	0.00	0.00	85.00	11.40	7.60	+1.80
10.00	5.00	0.00	0.00	90.00	12.00	8.00	+1.90
10.50	5.25	0.00	0.00	95.00	12.60	8.40	+2.00
11.00	5.50	0.00	0.00	100.00	13.20	8.80	+2.10
11.50	5.75	0.00	0.00	105.00	13.80	9.20	+2.20
12.00	6.00	0.00	0.00	110.00	14.40	9.60	+2.30
12.50	6.25	0.00	0.00	115.00	15.00	10.00	+2.40
13.00	6.50	0.00	0.00	120.00	15.60	10.40	+2.50
13.50	6.75	0.00	0.00	125.00	16.20	10.80	+2.60
14.00	7.00	0.00	0.00	130.00	16.80	11.20	+2.70
14.50	7.25	0.00	0.00	135.00	17.40	11.60	+2.80
15.00	7.50	0.00	0.00	140.00	18.00	12.00	+2.90
15.50	7.75	0.00	0.00	145.00	18.60	12.40	+3.00
16.00	8.00	0.00	0.00	150.00	19.20	12.80	+3.10
16.50	8.25	0.00	0.00	155.00	19.80	13.20	+3.20
17.00	8.50	0.00	0.00	160.00	20.40	13.60	+3.30
17.50	8.75	0.00	0.00	165.00	21.00	14.00	+3.40
18.00	9.00	0.00	0.00	170.00	21.60	14.40	+3.50
18.50	9.25	0.00	0.00	175.00	22.20	14.80	+3.60
19.00	9.50	0.00	0.00	180.00	22.80	15.20	+3.70
19.50	9.75	0.00	0.00	185.00	23.40	15.60	+3.80
20.00	10.00	0.00	0.00	190.00	24.00	16.00	+3.90
20.50	10.25	0.00	0.00	195.00	24.60	16.40	+4.00
21.00	10.50	0.00	0.00	200.00	25.20	16.80	+4.10
21.50	10.75	0.00	0.00	205.00	25.80	17.20	+4.20
22.00	11.00	0.00	0.00	210.00	26.40	17.60	+4.30
22.50	11.25	0.00	0.00	215.00	27.00	18.00	+4.40
23.00	11.50	0.00	0.00	220.00	27.60	18.40	+4.50
23.50	11.75	0.00	0.00	225.00	28.20	18.80	+4.60
24.00	12.00	0.00	0.00	230.00	28.80	19.20	+4.70
24.50	12.25	0.00	0.00	235.00	29.40	19.60	+4.80
25.00	12.50	0.00	0.00	240.00	30.00	20.00	+4.90
25.50	12.75	0.00	0.00	245.00	30.60	20.40	+5.00
26.00	13.00	0.00	0.00	250.00	31.20	20.80	+5.10
26.50	13.25	0.00	0.00	255.00	31.80	21.20	+5.20
27.00	13.50	0.00	0.00	260.00	32.40	21.60	+5.30
27.50	13.75	0.00	0.00	265.00	33.00	22.00	+5.40
28.00	14.00	0.00	0.00	270.00	33.60	22.40	+5.50
28.50	14.25	0.00	0.00	275.00	34.20	22.80	+5.60
29.00	14.50	0.00	0.00	280.00	34.80	23.20	+5.70
29.50	14.75	0.00	0.00	285.00	35.40	23.60	+5.80
30.00	15.00	0.00	0.00	290.00	36.00	24.00	+5.90
30.50	15.25	0.00	0.00	295.00	36.60	24.40	+6.00
31.00	15.50	0.00	0.00	300.00	37.20	24.80	+6.10
31.50	15.75	0.00	0.00	305.00	37.80	25.20	+6.20
32.00	16.00	0.00	0.00	310.00	38.40	25.60	+6.30
32.50	16.25	0.00	0.00	315.00	39.00	26.00	+6.40
33.00	16.50	0.00	0.00	320.00	39.60	26.40	+6.50
33.50	16.75	0.00	0.00	325.00	40.20	26.80	+6.60
34.00	17.00	0.00	0.00	330.00	40.80	27.20	+6.70
34.50	17.25	0.00	0.00	335.00	41.40	27.60	+6.80
35.00	17.50	0.00	0.00	340.00	42.00	28.00	+6.90
35.50	17.75	0.00	0.00	345.00	42.60	28.40	+7.00
36.00	18.00	0.00	0.00	350.00	43.20	28.80	+7.10
36.50	18.25	0.00	0.00	355.00	43.80	29.20	+7.20
37.00	18.50	0.00	0.00	360.00	44.40	29.60	+7.30
37.50	18.75	0.00	0.00	365.00	45.00	30.00	+7.40
38.00	19.00	0.00	0.00	370.00	45.60	30.40	+7.50
38.50	19.25	0.00	0.00	375.00	46.20	30.80	+7.60
39.00	19.50	0.00	0.00	380.00	46.80	31.20	+7.70
39.50	19.75	0.00	0.00	385.00	47.40	31.60	+7.80
40.00	20.00	0.00	0.00	390.00	48.00	32.00	+7.90
40.50	20.25	0.00	0.00	395.00	48.60	32.40	+8.00
41.00	20.50	0.00	0.00	400.00	49.20	32.80	+8.10
41.50	20.75	0.00	0.00	405.00	49.80	33.20	+8.20
42.00	21.00	0.00	0.00	410.00	50.40	33.60	+8.30
42.50	21.25	0.00	0.00	415.00	51.00	34.00	+8.40
43.00	21.50	0.00	0.00	420.00	51.60	34.40	+8.50
43.50	21.75	0.00	0.00	425.00	52.20	34.80	+8.60
44.00	22.00	0.00	0.00	430.00	52.80	35.20	+8.70
44.50	22.25	0.00	0.00	435.00	53.40	35.60	+8.80
45.00	22.50	0.00	0.00	440.00	54.00	36.00	+8.90
45.50	22.75	0.00	0.00	445.00	54.60	36.40	+9.00
46.00	23.00	0.00	0.00	450.00	55.20	36.80	+9.10
46.50	23.25	0.00	0.00	455.00	55.80	37.20	+9.20
47.00	23.50	0.					

NYSE Friday's Closing

Tables include the closing prices on the closing of the Street and do not reflect late trades elsewhere. Via The Associated Press (Continued)

Table with columns: 12 Month High, Low, Stock, Div, Yld, PE, 1993, High, Low, Last, Chg. Lists various stocks and their performance.

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SAVINGS: Addressing the Root of America's Problems With Financing

Continued from Page 9 seems, went to the affluent, who would have saved anyway. The Brookings economists proposed sticks instead of carrots, requiring savings by everyone under 65 who could afford them. Specifically, they would set a 4 percent minimum savings requirement for families with incomes between \$20,000 and \$40,000. The percentage would rise to a top savings bracket of 10 percent for those with incomes of more than \$80,000. Family savings would be measured from cash flows—the difference between purchases and sales of assets. Failure to meet the minimum would be discouraged with stiff taxes on shortfalls. But exceptions would be made for people paying for college or burdened by medical bills. Mr. Litan acknowledged there would be ambiguity in the definition of savings, and thus loose ends to any regulations. But he said he thought forced savings would be more popular than tax rises or government spending cuts—after all,

savers could park the money pretty much where they chose and get it back with interest when they retired. He estimated it could add up to 4 percentage points to the national savings rate, a significant advance for an economy that currently saves 2 percent of income in a thirty year. Conservatives were not persuaded. Rudolph G. Penner, a former director of the Congressional Budget Office, offered the classic objection: "I dislike government man-

INTERNATIONAL FUNDS

Questions supplied by fund lists. All asset value quotations are supplied by the Funds listed with the exception of some quotes based on latest prices. The marginal symbols indicate frequency of quotations: (d) - daily; (w) - weekly; (b) - bi-weekly; (m) - monthly; (q) - quarterly; (y) - yearly.

Table listing various international funds with columns for fund name, asset value, and other details.

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THE MONEY REPORT

FIRST COLUMN

Eurobanks: The Client Wants More

LAST fall the British bank Barclays tried to offer to France what amounted to an interest-paying checking account. The finance minister at the time, Michel Sapin, outlasted the account, calling it a "dangerous product." That was around the time when France was shipping a boatload of plutonium halfway around the world to Japan.

What made it dangerous, or so it was said, was that it blurred the distinction between cash to be spent and money set aside as savings. The real danger is the competition it would have provided to French banks.

Would Mr. Sapin or his successor, Edmond Alphandery, find the Barclays account dangerous today? Maybe not. It was easy to be smug in October, when the pound and lira were being whipped into submission and the franc was well inside its narrow exchange-rate mechanism band.

Now there's a buyer's market in the franc, France — and most other countries in Europe — cannot afford much of anything these days, including the high cost of codding their financial service industries. They must do whatever they can to draw money into their economies and keep the locals from defecting with their own funds.

With unfettered movement of money and people now well established in Europe, more of its citizens have financial dealings in more than one place. A Belgian may own a winter home in Spain and a business in the Netherlands and send his kids to school for a year in Ireland. This has led to the sport of country-hopping as Europeans shop around for the best deals from banking and investment management companies, which also are branching out across borders.

This financial cross-pollination could slow considerably if investors and savers, already a risk-averse population in Europe, have to factor in currency risk with their other financial considerations. They will no doubt drive harder bargains before committing their cash.

What they should demand from government is unrestricted competition in financial services, free access to financial markets and more stringent investor-protection regulation. If the ministries deliver, then some good will come out of the currency fiasco.

C. de A.

Investors in EC Storm Seek the Silver Lining

By Philip Crawford

IT'S the nature of the shrewd investor to see times of great upheaval in terms of opportunity, and the past week of currency market mayhem has brought out the best in many of the species. Indeed, say analysts, everybody seems to be clamoring for advice on how best to play the crisis to his own advantage.

The problem, of course, is that rarely in the multidimensional world of financial markets does a certain set of circumstances produce a predictable result. That's why "proceed with caution" seems to be the byword to investors as the unrest moves into its second week.

Many European stock markets rallied in the days following the Bundesbank's July 29 decision to maintain its 6.75 percent discount rate, first in anticipation that a ruptured ERM would lead to lowered interest rates throughout the rest of Europe, then in response to the actual fact. Certain rates in Spain, Portugal, Denmark and the Netherlands — as well as a key German money market rate — were indeed cut following Moody's decision by EC ministers and central bankers to widen the exchange-rate mechanism's trading band. Bond markets also rallied, and refuge-seeking investors spurred the price of gold.

The central question is whether interest rates will soften more markedly across Europe, fueling economic recovery. Many analysts think that they will, despite France's hesitancy to lower any of its rates just yet. Based on that assumption, moreover, many analysts feel that equities are where EC investors should be.

"There's plenty of room on the upside for the CAC-40, and we're bullish on it," said Adam Kindreich, who covers the French market for Kleinwort Benson Securities in Paris, referring to the French stock index. "The French will begin to cut rates soon, and that will help recovery. Within a few months, a rise of 100 to 150 points in the index wouldn't surprise me." The CAC-40 rose over 40 points on Monday to hit 2129.03 before falling off later in the week.

Mr. Kindreich said that other EC countries whose currencies are now permitted to fluctuate 15 percent on either side of their central ERM rates, as is the French franc, should see their stock markets rise like France's in the coming months. Those countries are Spain, Portugal, Ireland, Belgium, Luxembourg and Denmark.

Mick O'Connor, an options dealer at Lloyd's Bank in London, concurred that continued interest rate cuts across Europe are likely, and that they should bolster both economic recovery and equity markets. "The French will delay cuts for as long as they can, to take the heat out of the speculation," he said. "But once they do it, their market will take off. I think equity plays look very attractive in Europe, except for the German and Swiss markets. German rates will come down very slowly."

Despite this week's rally in the DAX index of German stocks, many analysts remained bearish on the German market, taking the view that German rates will on the whole remain high, continuing their dragging effect on the German economy.

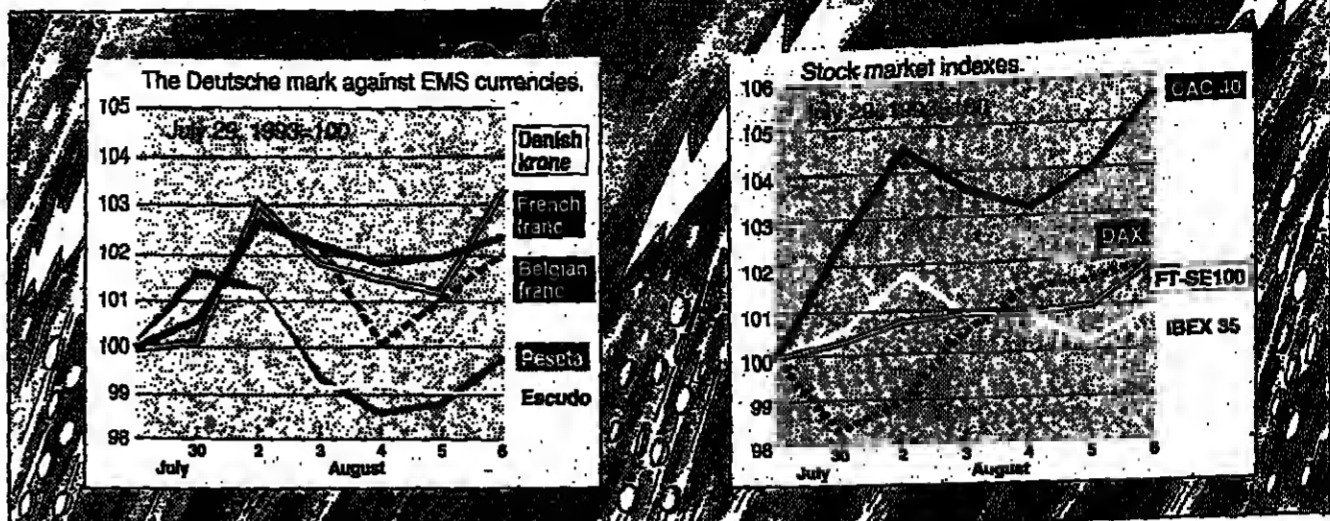
The favorable outlook on EC equity markets, whose newly floated currencies declined against the mark this week, also has some precedent. Last September, the British, Italian and Swedish stock markets rose by an average of 13 percent in the month following each currency's devaluation. None of the markets that have made an overall upward move since the crisis began have done so to that degree, leading many analysts to believe there is still considerable room to grow.

Certain types of equities, moreover, are particularly receptive to the current situation: exporters, which receive more of their home currency when the buyer's currency has gained value against it, and banks, where lower interest rates typically lead to increased lending business.

Robert Thomas, head of research at NatWest Capital Markets in London, said he expected German rates to fall considerably by the end of 1994. He forecasts a discount rate of under 5 percent, and a repurchase rate, which was shaved 25 basis points to 6.70 percent this week, of about the same. Noting the rally in prices of French, German and British government bonds this week, he said that such instruments were another logical place for retail investors amid the current climate.

"In the short term, bonds will give you a better return than deposits," he said. "And you can't forget that at least some of the good news for equity markets has already happened this week. My view is that bonds are the best short-term vehicle, but that one should then move into equities as economies across Europe develop a mode of more sustained recovery."

James Comish, European market strategist for NatWest Securities, concurred that bonds are a good short-term play. "But



Source: Bloomberg

you're going to have to get out of them in the relatively near future," he said. "If you're prepared to take the long-term view, with rates falling, equities look better than bonds."

Perhaps nowhere has the market unrest been more graphically reflected than in the price of gold, which is most directly accessible to small investors through gold coins. Gold hit \$411.30 an ounce on July 30 as investors sought refuge from the currency markets, falling off to close at \$403.30 on Wednesday on the Commodity Exchange in New York. But a large selloff by Chinese investors on Thursday led to a plummet of almost 6 percent, as the price of an ounce of gold for December delivery fell to \$380.70.

Despite the plunge, some analysts look for gold to rebound and possibly to surpass its July peak as soon as interest rates come down. "In the past, major political crises such as the [U.S.] hostage crisis with Iran have caused major moves," said a London

gold trader who insisted on anonymity. "Here, while there are obvious political overtones, it's more a matter of fundamental economics. We'll see ups and downs along the way, but there are valid reasons for a continued healthy movement upward in both the medium and the long term."

There are, of course, other vehicles such as short sells and options through which the adventurous investor can make plays on a currency market in flux. If one wanted to bet, for example, that the French franc, which firmed against the Deutsche mark midweek, would fall again against it, one could sell the franc "short" against the mark.

Few analysts, however, despite the commonly held view that many European currencies will slip more against the mark, are recommending short sells as a way to profit from the present situation. "Short sells are terribly risky," said Mr. Thomas. "Not just for small investors, but for anyone."

Another possibility is the currency option, in which an investor purchases the right to buy one currency with another at a specific exchange rate within a prescribed time period.

"Anyone who bought a mark call/franc put option a month ago has made money," said Mr. O'Connor, the options trader. "But there's not as much action on options this time as there was in September. People are playing it differently."

And there is, of course, always the possibility that interest rates will not fall in a sustained way across Europe, as so many expect them to. "In that scenario," said David Harding, managing director of Adams, Harding & Luess, a London futures firm, "everybody's position changes. It's not just a three-dimensional picture but about a 17-dimensional one, and politics will play a major role in however things play themselves out. The best approach is to be more circumspect than ever."

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Laurentian Financial Group PLC has launched a 5-year bond, available in two versions, whose rate of return is tied to the performance of the FT-SE 100 index. Minimum investment is \$5,000 (\$7,500), and investors are guaranteed at least their original outlay at the end of the 5-year period. The bond will remain available until Aug. 20.

Investments of \$5,000 to \$19,999 bring a return of 115 percent of the percentage gain of the index; investments between \$20,000 and \$49,000 return 116 percent of the index's gain; and an outlay of over \$50,000 returns 116.75 percent of the percentage gain of the index. All returns are computed on 95 percent of the original investment, the remaining 5 percent representing charges. For more information, call (44) 452 371 371.

DB Subsidiary Launches Australian Dollar Fund

DB Investment Management, a subsidiary of Deutsche Bank, has introduced an Australian dollar currency fund, its third short-term money market fund in the dollar bloc aimed at Deutsche mark-oriented investors. The Luxembourg-registered fund, called Austral Dollar Reserve, buys debt instruments with short maturities denominated in Australian dollars. As with other money market funds, there is essentially no risk due

Equities Lead June Rush Into Mutual Funds in U.S.

There appears to be no letup in the American public's appetite for mutual funds, with a net flow of \$19.7 billion being recorded in June, up from \$19.3 billion in May and just \$13.7 billion in June of 1992, which was the industry's best year ever.

Figures compiled by the Investment Company Institute, the industry's main organization, showed a near doubling in the net flow to equity funds, compared with last year, to \$9.2 billion from \$4.7 billion. The corresponding numbers for bond funds were \$10.5 billion and \$9 billion.

U.S. Portfolio Bets on Asia As Vast Consumer Market

Investment sets, VCR's and even designer shoes will be some of the major investment themes of the no-load Pacific Opportunities Fund, just launched by Scudder, Stevens & Clark, the U.S. money managers.

Offshore Funds and the 'Bad Old Days'

By Rupert Bruce

MENTION the word "offshore" to a British investment regulator and you may touch a sore spot. The trouble is that just five years after a comprehensive and expensive system of regulation was put in place, it is being bypassed by investment managers who have set up in the offshore European Community countries of Luxembourg and Ireland.

The British regulators, the Securities and Investments Board (SIB), will not comment, but investment managers who have not set up in those offshore centers, and, consequently, are at a competitive disadvantage, are happy to.

Martin Dryden, managing director of Caribbean Fund Managers International Ltd., said: "The investment managers based in these centers are driving a coach and horses through the regulations and there is absolutely nothing that the U.K. can do about it."

Even firms that have based their

offshore U.K. funds in Luxembourg or Dublin admit that something is lacking. Alan Wren, managing director of the British retail division of Invesco, which has an international division with funds in Luxembourg, said: "It was said to me recently that operating in certain of these countries is like operating in the U.K. in the good old days [before the 1986 Financial Services Act governing investor protection]. I would say the bad old days."

The cause of this is the EC's Undertaking for Collective Investment in Transferable Securities (UCITS) directive, which became effective in Britain in 1989. This law's purpose is to ensure that EC mutual funds can be marketed across borders; but although it sets standards of investor protection, some believe that these are not high enough.

One weakness that many critics have concentrated on is the fact that Ireland does not have an investor compensation program.

The Central Bank of Ireland, the local regulator, makes it a matter of policy not to comment on such is-

ues, although it has said publicly that it is considering working on a compensation plan.

Most of the other criticisms relate to the methods used to price funds in these centers. Mr. Wren said: "From my contact with companies on the Continent, it [pricing] seems to be more of an art form."

"One would have thought there ought to be a bit more discipline." But he added: "There is nothing wrong with many of these things in themselves, but what is missing is disclosure."

Specifically, Mr. Dryden pointed out a practice called "rounding." This can result in investors in umbrella funds (offshore funds with a large number of sub-funds that the investor can switch between) losing up to 2 percent on each switch, he said.

If one considers that it is not unusual for a fund to offer, say, 12 free switches each year, it is easy to see how "rounding" could make quite a dent in an investment. But in practice, this is unlikely to take as much as 24 percent (12 times 2 percent) from the value of an investment because the maximum 2

percent loss could only happen when both the fund switches into and that switched out of were priced at around \$1.00. Nevertheless, any loss at all, if repeated, could make quite a difference.

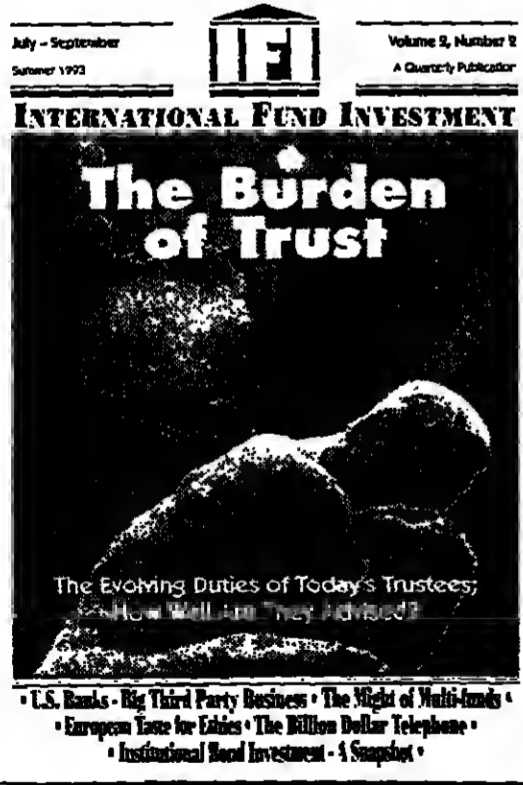
The cause of this is the practice of many Luxembourg U.K. funds of pricing to only three significant figures. In Britain, funds are required to price to four significant figures, which eliminates the scope for "rounding."

Mr. Dryden also criticizes Luxembourg for failing to require U.K. funds to appoint separate custodians. Custodians look after the shares and bonds owned by a fund and settle all transactions.

This leads to conflicts of interest and the most obvious conflict is over custodians' charges, he said. "This might lead fund directors to be less than vigilant over the level of charges," he added. Charges are paid by the fund and ultimately through fund performance, by the investor.

Charles Stuyck, chief counselor of the Institut Monteban Luxembourg, said he was not aware of any problems with his country's regulations, which, he said, complied with the U.K. directive. He added that while the directive forbade an investment manager from using a custodian that was part of the same legal entity, this did not stop them from using a custodian that had the same corporate parent.

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THE MONEY REPORT

A Brazilian Boom? Maybe This Time It's for Real

By Aline Sullivan

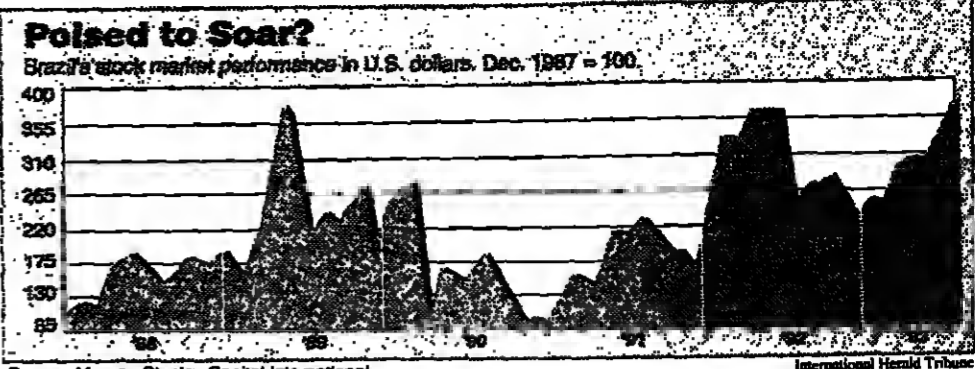
AFTER years of lagging behind its Latin American neighbors, Brazil is poised for an economic boom. Government plans for wide-ranging deregulation and privatization could send shares soaring, maybe as soon as this autumn. Investors who think they have heard it all before have grounds for skepticism. Brazil has always been a tough nut for foreign investors to crack and its reputation for rapid boom and bust cycles is well founded. But analysts and fund managers say that the country is finally opening up: Tariff barriers are falling, centralization is being ended and foreign investment is more welcome than ever.

though there may be some problems in the short term, we are convinced that they will pull it off." Roberto Serwaczak, analyst at stockbrokers Baring Securities in Sao Paulo, said in a recent report to clients that there are clear signs that the process of liberalization in Brazil is unstoppable. This should be reflected in constitutional changes later this year, an accelerated privatization program and the platforms of the candidates for the next presidential election in November 1994, he said. Some of these changes have already been announced on the stock market. The Sao Paulo Stock Market Index has risen 75 percent in dollar terms since the beginning of this year, driven by investor expectations of further liberalization when President Foz de Iguaçu initiated tariff reforms after succeeding the disgraced Fernando Collor de Mello at the end of the year. But analysts say there is plenty more room for growth. "Sometime in the next five years Brazil will turn around and the stock exchange index will rise over 300 percent," said Susan Carrington, a Latin American fund manager at Fleming Investment Management in London. "Maybe it will happen after the constitution is changed."

THAT will be in just two months. When democracy replaced Brazil's military dictatorship in 1988, it was agreed that the constitution would be reviewed five years later. This October the government will put forward a reform plan that will then be reviewed by the Lower House and Senate. Analysts expect the government's plan to do away with some relics of socialism and promote radical fiscal reform. "If things go right, investors could make a lot of money very quickly," said Stephen Rose, head of London-based investment bankers and Latin American specialists Stephen Rose & Partners. "Individual investors should put about half their money in the Brazilian market now and half in a few months when prices may be lower." That way, they will be certain not to miss

any sudden surge in share values. Of course, there is a risk that Brazil's old guard may slow down the reform process. But, according to Mr. Serwaczak, even Brazil's traditional leftist parties are shifting to a less entrenched ideological position, making it possible that a consensus will be reached over the constitutional review. "The pressure coming from the press, businessmen, some important politicians, foreign investors and even workers' unions to solve the economic problems will not allow the government to move far from the measures already implemented in other Latin American countries," said Mr. Serwaczak. Like many of its neighbors, Brazil is burdened with high inflation — almost 30 percent a month — and a massive foreign debt. There are also many powerful people happy with the status quo, which is unsurprising in a country where the richest fifth of the population has an average income of more than 30 times that of the bottom fifth. But these problems can be over-

come. According to London-based Fund Research Ltd., similarities in Latin American countries' economic history and development allow the experiences of countries further along the path of progress to act as pointers for those behind. Chile and Mexico are at the peak. Argentina and Venezuela are on the next level and Brazil at the bottom. Analysts point to Mexico's experience in 1991, which many see as similar to the current situation in Brazil. Mexican shares rose about 150 percent at that time as investors responded to changes in the country's political and economic scene. Brazil's larger economy could mean even bigger returns if the government reforms go ahead. Another plus for investors in Brazil is the relative liquidity of the Sao Paulo stock exchange compared with those of other Latin American countries. According to Fund Research, the 10 largest stocks on the Brazilian market accounted for 25.4 percent of the total market at the end of 1992, a lower proportion than anywhere else on the continent. At 51 per-



Source: Morgan Stanley Capital International

cent, the share of value traded held by the 10 most active stocks was the second lowest in the region, higher only than Mexico. "The importance of the stock market to the Brazilian economy should expand as the corporate sector moves out of the hands of the government through privatizations and removal of state involvement, and family owned enterprises are encouraged to float all or part of their equity," said the Fund Research analysts. Investors eager to take advantage of a surge in Brazilian shares should buy into Telefona, the partly privatized national telecommunications company, analysts said. Telephone usage is expected to grow rapidly as the economy improves, while the government is likely to permit substantial rate hikes. The banking sector, including Bradesco, Itau and Banco Nacional, is also popular with analysts as a strong play on economic liberalization. Some parts of the steel industry, one of the most modern and competitive in the world, also represent good buys, they said. Steel companies are currently trading at about 8 percent of expected

1993 earnings, compared with an average of 12 percent for Brazilian stocks. Less appealing are some parts of the construction industry, which have been supported by the government up to now. Of course, the hopes vested by domestic and foreign investors in the Brazilian economy may prove unfounded. The new government has many motives to grasp. But it has been done before, elsewhere in Latin America. And Brazil has the potential to make Mexico's economic renaissance look like a sideshow.

Armchair Analysts And the Indicators

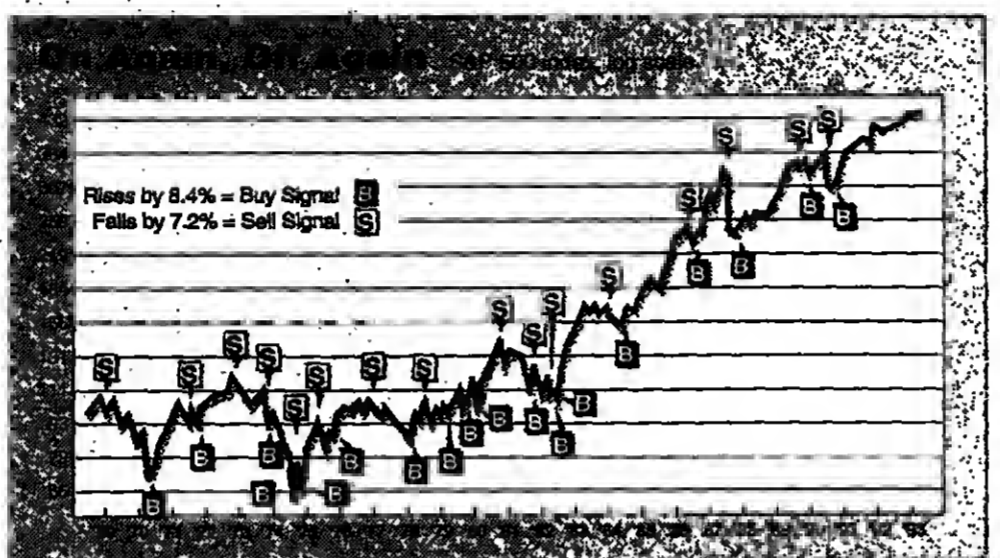
By Conrad de Aenlle

ONE adage advises to "sell in May, then go away." For those who didn't, here are some stock market indicators to keep an eye on this summer, courtesy of five analysts scattered across the map. One indicator favored by Richard Davidson, European equity strategist for Morgan Stanley, is the ratio of stock price to book value. He likes it better than other valuation measures, such as price to earnings, because the earnings of many companies, especially in heavy cyclic industries, can be dragged down or inflated by transitory blips in the economy. The price-to-book ratio "removes part of the cyclical element in valuation measures; in a recession, you can see how the price of a stock relates to its asset base," Mr. Davidson said. "If you buy at less than one, you're buying the assets for less than their value on the books. If you believe those companies are ever going to earn the kind of money they did in the late '80s, it's a giveaway."

in future," he said, "price to book is a good indicator." Of course, it is hard these days to have strong convictions, at least positive ones, about some industries; that's why caution is in order. "Certainly at the moment, in many of the cyclical industries in Europe, they don't deserve to trade at a price-to-book above one," Mr. Davidson said. "And just because they're trading at book doesn't mean they won't get cheaper." But at least they are not relatively expensive. The approach works, as well, for entire markets, some of which are selling at a discount to book. Finland was dirt cheap a few months ago, trading at 0.4 times book. It has doubled, but that still leaves the ratio below one.

OTHER cheapish markets he mentioned are Italy and Spain. Italian shares went for 0.7 to 0.8 of book six months ago but have since moved to a more fairly valued 1.4. Spain was trading close to book and has risen about 20 percent. As for the bigger European markets, Britain is a bit expensive, although it tends to trade at higher valuations because companies tend to pay out higher dividends. France and Germany, he said, are "both at fair value" — slightly on the rich side, but not dramatically so. Sophie Blampain, who follows the Continental European markets for Credit Suisse First Boston, thinks indicators do not translate well between markets, because "there's very little information that's consistent across the Continent. Europe is extremely difficult." But she has some ideas for specific locales. "One very good indicator for Germany is to look at how much foreigners are buying," she observed. "German institutions wait

to see what foreigners do before they act." What foreigners must have been doing over the last couple of months is buying. The key DAX index swung from a long nap to gain 11 percent, including a two-day run of about 5 percent in the second week of July. There was no fundamental reason for the advance, Ms. Blampain said; what inspired it was a big influx of money from abroad. Foreign buying can move other markets, too, but information on their activities is hard to come by. In Germany, the Bundesbank routinely releases data on foreign participation. The strength of the franc is a good indicator for the French market, she said, because so much of the larger French companies' operations is abroad. A weak franc means stronger results from their foreign subsidiaries. She also suggested keeping an eye on the price of oil because, quite simply, 11 percent of the value of France's CAC-40 index is in the shares of two petroleum oil concerns, Elf Aquitaine and Total. Interest rates are more important in Spain than in a lot of other places, Ms. Blampain said, because "the av-



Source: Ned Davis Research

erage gearing for Spanish companies is high." Construction companies and utilities, well represented on Spain's stock market, carry high debt loads, so "it makes a significant difference to the bottom line if rates drop 200 basis points."

Adrian Faure, director of Hong Kong research for Baring Securities, looks at the volume traded on Asian markets compared with their total capitalization. The higher the percentage, the more likely a market is to be overbought, a clear and frequent danger in the booming economies in the region. "A mature market should turn over five to six percent of its capitalization in a month," said Mr. Faure. "At times, they have turned over eight or nine percent of market cap."

That's a sign of trouble, and it does not have to happen for months on end before he becomes concerned. "I'm worried if I see that for one month," because it means "prices are being pushed too far, stocks are overbought." Asian markets, as a rule, are thinly traded, especially the smaller ones that have not been open to the public for very long. "In a lot of these markets, ownership is very tight," he pointed out. In some cases, the rules may mandate that at least 25 percent of a company's holdings be in public hands. But often, not even that much gets spread around. "Seventy-five percent is often held by one family," Mr. Faure remarked. "Of that 25 percent free float, much of it is held by pension funds and other institutional owners."

"You can refine it and play with these numbers," she said of the Know indicator, named in honor of the technician who devised it in the 1940s. "It works most of the time," when stocks are in "just a normal trading market."

When they are not, when the market is in a big move one way or the other, overbought and overbought readings can extend way past 0.75 and 1.25. "Two or above is a major advance," she said. That, of course, creates a problem. The indicator has to pass 1.25 on the way to 2. That's why it is important to "look for confirmation in other indicators. I never look at just one." Another simple one of this genre is the ratio of advancing to declining volume. "When you get huge advancing issues — 4 to 1 or 5 to 1 advances over declines, and volume, that's already telling you you've got a major move."

To go along for the ride when the American market takes off or to get out before a prolonged drop, Lance Stookey, research director at Ned Davis Research, likes to follow "percentage reversals" in the Standard & Poor's 500. "When the S&P 500 rises by 8.4 percent from a low on a weekly basis, you've got a buy signal," he said. "When it falls 7.2 percent from a peak, it's a sell signal."

Plastic With Elected Affinities

By Barbara Wall

IT doesn't seem so long ago that ethical-fund managers were encouraging us to invest with a conscience. Now the credit card industry, out widely recognized for its philanthropic tendencies, is asking us to shop with a conscience as well. Affinity cards, the latest line in plastic credit, are straightforward payment cards with a twist. A fraction of every dollar spent on the card goes to the charity or professional organization that endorses it. The cards can be used to pay for goods and services in any establishment worldwide that accepts MasterCard or Visa. The difference is that an affinity card displays the name and logo of the sponsoring group as well as the card-issuers' mark.

partners, including the National Society for the Prevention of Cruelty to Children, the Professional Footballers Association and the Institute of Advanced Motorists. In Spain, Banco Popular is the biggest affinity card issuer with more than 30 programs. Most are branded with professional organizations although the bank has one successful affinity partnership with a Third World aid organization.

The programs target potential cardholders who share a common interest, activity or membership in an organization. Affinity organizations, which are generally nonprofit, fall into five main groups: charities, professional societies, lobbyist groups, fraternal societies, such as university alumni, and sporting organizations. It is estimated that 10 percent of all cards issued in the United States are affinity linked. The Maryland Bank of North America, a pioneer in affinity card marketing, has around 2,500 endorsements from charities and professional associations.

Income is received in two forms. An initial donation, usually between \$7 and \$12, is made on the opening of a new account. This encourages affinity groups to promote the card to members. The donation is funded out of the annual fee or the issuer's marketing budget. Subsequent donations are based on the transaction volume — the more you spend, the more the affinity group receives in commission. Payments work out at around 0.20 percent of the transaction amount and these are funded out of the merchant discount.

Cardholders are offered incentives to use the cards. Typically, these include discounts on products, lower interest rates and extended credit limits. Verenigde Spaarbanken, one of the largest Dutch savings banks, has several co-branded partners but only one true affinity partner: the World Wildlife Fund. Not all card issuers agree with affinity partnerships. The British-based Trustee Savings Bank (TSB) has recently withdrawn its Save the Children affinity card from the market. "Although the card has raised \$460,000 for the charity, we believe that there are more effective ways of donating money," commented a TSB spokesman.

But given the limited opportunities for growth in the U.S. and British credit card markets, small banks, having a greater need for product differentiation than the larger banks, are understandably keen to exploit affinity deals. A spokesman for Transnational

affinity cardholders who share a common interest, activity or membership in an organization. Affinity organizations, which are generally nonprofit, fall into five main groups: charities, professional societies, lobbyist groups, fraternal societies, such as university alumni, and sporting organizations. It is estimated that 10 percent of all cards issued in the United States are affinity linked. The Maryland Bank of North America, a pioneer in affinity card marketing, has around 2,500 endorsements from charities and professional associations. In Japan, affinity cards are all the rage. However, an industry spokesman said, "Affinity cards are treated as status symbols; instead of owning one affinity card, it is the norm among U.S. credit card users, the Japanese will own several, but not necessarily make use of them."

affinity deals are beginning to catch on in Europe. A report published by Datamonitor, a U.K.-based financial services research group, shows that affinity cards account for approximately 3 percent of all credit cards in Britain. Charities and trade unions have equal shares and together account for 94 percent of the market. The remaining 6 percent is comprised of professional association-branded cards. The Bank of Scotland is the main issuer of British affinity cards. It works closely with Transnational, a third-party agency, which generates affinity relationships. The bank has more than 200 affinity

July Market Scoreboard

Best Performers

Worst Performers

Table with columns for Best Performers and Worst Performers, listing various market indices and their percentage changes.

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THIS is another indicator that works well for people whose only analytical tools are a newspaper and a pen. "If you go back to 1969, your portfolio would have gained at an 11.5 percent annual rate versus just 6.3 percent if you had just bought and held the index," said Mr. Stookey. The 11.5 percent number is based on cash being invested in commercial paper (short-term corporate debt instruments) during sell signals. Although the returns are good, be conscious that the odds of a winning trade, 59 percent, are "little better than flipping a coin." He added, "But you're guaranteed of staying on the right side of the primary trend; it allows you to let your profits run and cut your losses short."

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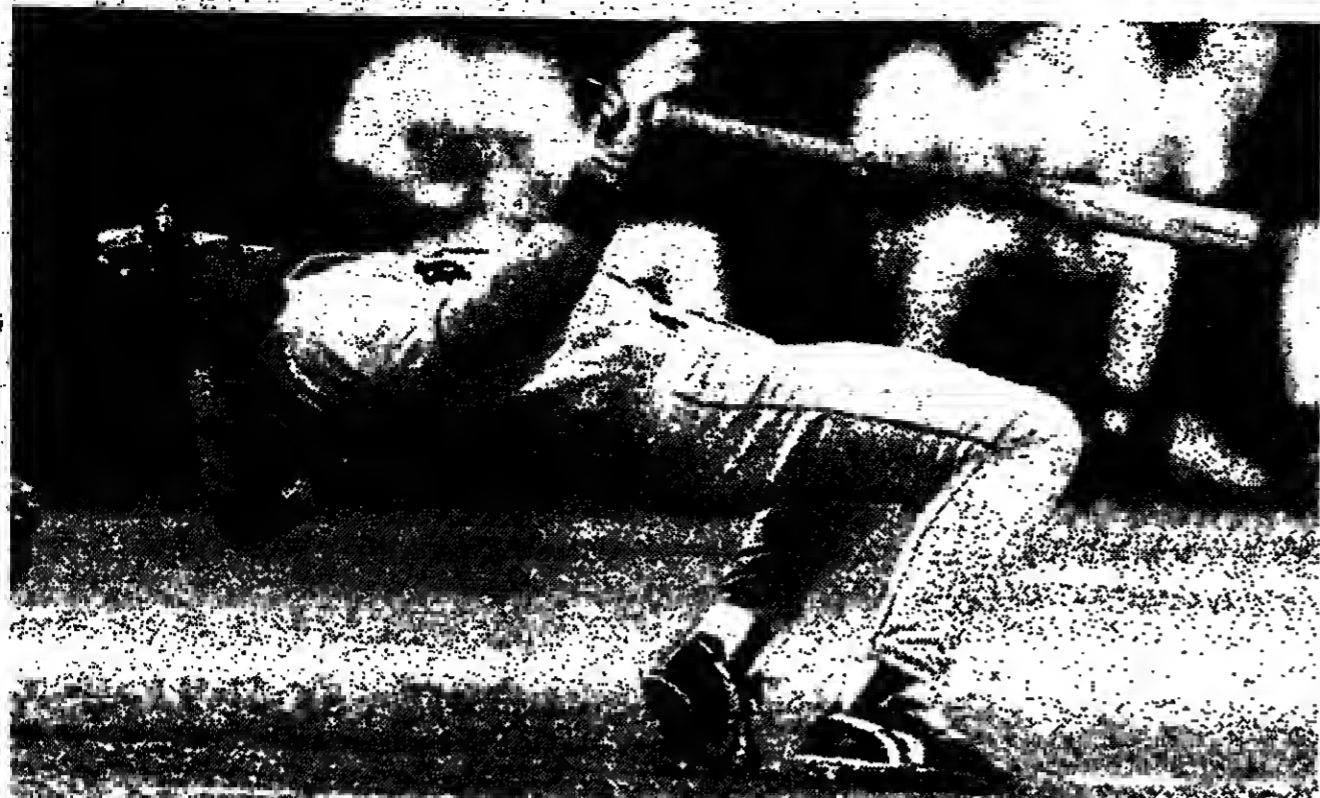
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SPORTS BASEBALL



Mike Greenwell of the Red Sox wasn't quick enough to avoid being hit by the Twins' Jim Deshaies, who was relieved after the pitch.

A Rookie Pushes Mets Over Top

Compiled by Our Staff From Dispatches

The New York Mets brass seemed to think the way to build a winner was to buy one. Rookie Jeremy Burnitz may be teaching them otherwise.

Burnitz, who had four hits and drove in seven runs, doubled home two runs to cap a three-run 13th inning outburst on Thursday in Montreal that carried the New York Mets to a 12-9 victory over the Expos.

NL ROUNDUP

two singles and a home run and scored three times.

Giants 5, Padres 3: In San Diego, San Francisco's Will Clark homered in consecutive at-bats, and Bill Swift tied teammate John Burkett for the National League lead with his 16th victory.

Dave Martinez and Matt Williams also homered for the Giants. There were 15 homers in the three-game series—seven by San Francisco and eight by San Diego. All the runs Thursday came on home runs.

Phillies 10, Braves 4: Dave Hollins drove in four runs, including the go-ahead run in the fifth in Atlanta, as Philadelphia rebounded from a 4-0 deficit to rout the Braves.

Ben Rivera, Philadelphia's starter, ended a three-game losing streak. He gave up eight hits, walked five and struck out two in 7 1/2 innings.

Cardinals 16, Marlins 6: In St. Louis, Missouri, Brian Jordan led a season-high 19-hit barrage with four hits, including his sixth home run.



The Braves' Jeff Blauser landed in time to nab Matt Thompson.

Pilot Meets His German Savior of '44

By Ian Thomson
International Herald Tribune

PARIS — The mystery of Bert Shepard's extraordinary life began 49 years ago in a German hospital, his memory scrambling through the rubble and the fog.

He recalled the orders dispatching him on a strafing run over a German airfield 70 miles (113 kilometers) from Berlin. Lieutenant Bert Shepard was a 24-year-old U.S. Army pilot, an athlete, and the trick was to fly his P-38 fighter plane low and through the whistling crossfire. There was a painful noise of steel puncturing his plane's belly; a revulsive, pricking, narrowing sound. His hand groped down to his dead right foot.

"I can feel it coming loose at the ankle," he recalled shouting into his radio.

The plane was still flying through a stream of flak as he reasoned it out. The base in England was two hours away. In his bag were a tourniquet and morphine. He would return home along a height of 25,000 feet, where the freezing air would slow the loss of blood. So he had steadied himself when the odd grace of war landed an updraft of flak square on his chin. He remembered pulling back on the stick as if it were a dream. He figured he was strapped in and unconscious when the P-38 crashed.

Facing the story together, his left eye unbandaged and blinking, he realized now that the stranger in this hospital were silent, watching him. Something, terrible, had become of him. He looked down at his right leg. It ended in a splint, where his leg had been amputated below the knee.

"Thank you for saving my life," he announced sincerely, and fell back asleep.

Over the ensuing months in a German prison camp, Shepard never thought to ask about those hours on May 28, 1944, when he should have died. How had he made it, unconscious, from the wreck of his plane, to the hospital? Who among the enemy had saved him?

In prison a Canadian medic made him a crude artificial leg. Shepard had played semi-professional baseball in Indiana. Now they were playing catch in Germany with a cricket ball. He found he could pivot on his left leg, cover first base, charge a bunt. In January 1945, within days of his return to the United States, Shepard was telling the undersecretary of war that he wanted to play baseball professionally.

"Well, hell, son, you can't do it on one leg, can you?"

"I'm pretty sure I can, sir," Shepard said.

A call was made to Clark Griffith, owner of the Washington Senators. Shepard was fitted with a better prosthesis. He was promoted to captain, awarded a Distinguished Flying Cross, and signed to a contract by the Senators, who called him a "symbol of the courage of American youth."

On Aug. 4, 1945, in the second game of a doubleheader that the Senators were losing by 12 runs, Shepard half-jogged his way to the mound.

"I came in with the bases loaded, and I struck out George Medkovich to get us out of it," Shepard said. "What made me proud was that I've seen athletes just choke up, not being able to react to a situation. There was much more pressure on me than it seemed. If I would have failed, then the manager says, 'I know I shouldn't have put him in with that leg.' But the leg was not a problem, and I didn't want anyone saying it was."

Pitching left-handed, he allowed one run and three hits in 5 1/2 innings, throwing everything he had upon his false right foot. He never would pitch again, and he didn't feel the need.

He would remove his foot, inspecting it cold in his hands — it was an excuse for everything he didn't understand, a phantom pain.

He and his wife, Betty, went on to raise four children. So he remained normal and became exceptional. Taking up golf at the age of 30, he twice won the U.S. national championship for handicapped players.

In 1981 he up and drove to East Germany. He took off from Sandi Arabia, where he was working as a safety engineer.

"I practically had to bribe my way across the border," he said. In the town of Ludwigshafen he found the hospital of his awakening. A soldier gave permission for him to begin taking photographs of the hospital.

"Before I know it, three soldiers are grabbing me," Shepard said. "It turns out that the hospital was now their military headquarters. With the language barrier, how do I explain that I was just taking pictures of the hospital because I'd stayed there?"

"At the border they searched the car pretty thoroughly, and they let me go. Then they whisked me back again. Now they're taking the seats out of the car. They're just knowing something was wrong. I was scared to death they might plant something in the car. Finally they let me get the hell out of there. I couldn't learn a thing, of course."

He was resigned to never understanding when the phone rang in November at his home in Hisperia, California. He answered to

hear an Englishman saying, "I hope I am finally talking with Bert Shepard."

The caller identified himself as Jamie Brundell, a fellow war veteran. From England he had tracked Shepard through a California organization of former P-38 airmen. He explained how, during an autumn hunt in Hungary, he had been introduced to a German doctor. The doctor's name was Ladislaus Loidl. The doctor had told a story from the war, of how he had rescued a crashed American pilot named Bert Shepard.

"I wonder whatever happened to that man," the doctor said.

The story made its way to the New York office of the American television show, "This Week in Major League Baseball," to a producer named Willie Weinbaum. He raised the funds for Bert Shepard to visit Europe from his home, from Lufthansa Airlines, and from a baseball publication called "The Diamond." When the story was told at a reunion, veterans shifted \$100 bills in Shepard's hand to pay for the rest of it.

Bert Shepard was 73 and trembling as he sat in Vienna in the home of the doctor. He explained quietly and nervously in German. It was then interpreted to Shepard that his plane had been headed deeper into Germany when it crashed. Initially the doctor had climbed a flak tower, where he found one German soldier dead and another seriously wounded by the Allied strafing attack. From there he was ordered to retrieve an American who had crashed. At first the ambulance driver had wanted nothing to do with saving the American.

They found him, unconscious and bloody in his wrecked plane. His face had cracked into the gun sight, resulting in the removal of the German hospital of a two-inch square of bone near his right eye. Army farmers were approaching the American with pitchforks. The doctor drew his gun against them, holding them back.

Once the American was inside the ambulance there was a problem in finding a proper hospital. The hospital in Ludwigshafen reported no room for the American. Another hospital could take him, but it was not equipped to deal with such injuries. The doctor called back to the first hospital and demanded that they accept the patient.

In the telling, the doctor appeared frail and short of breath. He had survived two heart attacks and bypass surgery, it was explained. In his voice was the question of what his life had meant. It was not for the interpreter to say. The two old men sat and watched a black and white film of the amputee pilot pitching in the major leagues.

Now they both can recall what went on before, and what came after. They were saying good-bye, hugging each other, and Shepard was talking himself. "These are the same arms that pulled me out of that cockpit."

Yanks Fight Back for a Split

Compiled by Our Staff From Dispatches

The Toronto Blue Jays thought they'd sent a message by winning the first two games of their four-game series with the Yankees in New York.

The only message the Yankees got was: Play harder.

Jimmy Key won for the first time in four starts and Paul O'Neill beat out a double-play grounder in the seventh inning on Thursday that allowed the go-ahead run to score, lifting the Yankees to a 5-4 victory over Toronto and a split of their four-game series.

The victory moved the Yankees to within one game of the first-place Blue Jays in the American League East.

Key improved to 2-0 against his former teammates this season, al-

lowing six hits, walking one and striking out seven. Key, who pitched for the Blue Jays last season, retired the final 10 batters he faced en route to his fourth complete game of the season.

With the score tied 4-4 in the seventh, Wade Boggs was walked by loser Al Leiter and Dion James

AL ROUNDUP

reached on a bunt single. After a one-out walk to Danny Tartabull, O'Neill hit a grounder to first base-

man John Olerud. Olerud threw to second, but O'Neill beat the relay throw from Tony Fernandez, allowing Boggs to score.

Red Sox 2, Twins 1: Frank Viola won in Minneapolis for the first

time since the Twins traded him in 1989. Bob Zuppic homered in the sixth and Ivan Calderon added a sacrifice fly for Boston later in the inning, giving Viola (7-8) the only runs he needed.

Viola won 112 games for the Twins, including 24 to earn the AL Cy Young Award in 1988, before being dealt to the New York Mets. He signed with Boston as a free agent in 1992 and is 2-1 against Minnesota.

Indians 8, Tigers 4: In Cleveland, Wayne Kirby — batting in injured Kenny Lofton's leadoff slot — hit a bases-loaded triple as the Indians beat fading Detroit. The Tigers have lost four of their last five games, including two of three at Cleveland.

Lofton sat out because of strained cartilage in his right rib cage, an injury sustained Wednesday night as he rounded first on a double. He was listed as day-to-day.

Mariners 3, Athletics 2: Seattle's Bret Boone broke a seventh-inning tie with an RBI double in Oakland, California, and Dave Fleming survived a bad start to win his seventh straight decision.

Fleming gave up two runs, four walks and six hits in the first four innings before settling down and holding the A's hitless until the seventh — when he worked out a first-and-third, none-out situation.

Angels 5, Royals 4: In Anaheim, California, Chili Davis hit a three-run homer and drove in four runs for the Angels to increase his career RBI total to 800.

Rookie Hilly Hathaway beat the Royals for the second time, scattering seven hits over 6 1/2 innings with two strikeouts and five walks. Tom Gordon was the loser.

Orioles 3, Brewers 1: Ben McDonald won his fifth straight start at Baltimore's Camden Yards and the Orioles completed a sweep of Milwaukee.

Mike Devereaux drove in two runs as the Orioles finished their first four-game sweep since they took four from Detroit in April 1992. Milwaukee has lost eight of nine and 17 of 23.

Rangers 7, White Sox 1: In Arlington, Texas, Ivan Rodriguez drove in a career-high four runs and the Rangers spoiled Tim Lincecum's debut in the American League.

Belcher gave up four runs on seven hits in seven innings. He had been 9-6 for the Cincinnati Reds before they traded him to Chicago on July 31 for two minor league pitchers. (UPI, AP)

Strike Talk Clouds the Game

Baseball's Summer Distraction: Could They Really Do It?

By Claire Smith
New York Times Service

NEW YORK — The talk was supposed to be about pennant chases, division races, veteran contributions and who has the most impressive rotation.

After all, it is August, the Toronto Blue Jays were in town, the Yankees were in their first true pennant tussle in nearly a decade and the players as well as the fans are supposed to be living and breathing baseball.

But Jack Morris, veteran right-handed pitcher for the Toronto Blue Jays, acknowledged there was a lingering distraction.

"To be honest with you, as a veteran player who's been through a heck of a lot in baseball the last two post-seasons, I'm obviously concerned about the team playing well at this point because at this point everything seems to be magnified," Morris said Wednesday night at Yankee Stadium. "But a potential threat of a strike kind of puts a cloud over another year."

Morris, a veteran of 15 1/2 major league seasons and three world stoppages since 1980, doesn't want to dwell on that possibility, and tries not to. "But," he conceded, "it seems like it's always in the back of your mind and it never goes away."

And the public, in pennant-hungry cities like New York, Philadelphia and San Francisco, should know this: Morris is not alone when it comes to having thoughts of pennants and championships invaded by business and labor strife. The players are thinking about a labor agreement that expires at the end of the season but has yet to be renegotiated because no serious talks have taken place since the owners opted to reopen the current agreement last winter.

And players are immersing themselves in the issues because their union leaders have told them that the use of their most potent weapon — the right to strike — might be necessary. Why? Well, the arguments go, management has yet to come to the table with any serious proposals. Wait until October and the players lose all leverage and face the possibility of a lockout at the start of next year.

Management has insisted it cannot begin negotiations until the players and the owners make peace among themselves. So, as increased revenue sharing

among clubs is pursued, the players wait. And think, first and foremost.

"They opened it up and then they don't talk," said Don Mattingly, veteran first baseman and captain of the Yankees. "It's the same old thing. Now you're at the point where they just feel they can change all the rules. This would be our only leverage now."

So, talk of a potential strike started in earnest last month, in a sense a wake-up call not only to management but to the players as well. And that message has obviously registered. "You'd be foolish not to think about it," said Mattingly.

The rise in rhetoric is related directly to a feeling that the players are once again not being taken too seriously. Morris and Mattingly say. Even worse, acknowledges Morris, there is the perception that this union, far removed from the days of fiery rhetoric and 50-40 strikes, is now somehow softer and more vulnerable. Its members too rich and conservative to even have the word "strike" in their vocabularies.

"The public and the ownership assume sometimes that players aren't all that bright in financial matters," said Morris. "But when you realize that you're the show, you don't have to be that bright."

The owners are hoping for less resolve and less innate understanding, says Morris, hoping that the love of the ball psyche — due the first and 15th of each month through October — will be hurt enough to keep them playing.

So, the longer no negotiations take place, more and more players are thinking that they will have to do something to recapture the attention of management. Such a decision would come with a price, and not one directly related to dollar signs.

Mattingly wants more than anything not to have this season halted for any reason so that perhaps that elusive post-season berth can be attained.

But, says Mattingly, the perception that he and a lot of other players with a lot at stake on the field would openly campaign against the strike is wrong. "When you look at something like that, you have to get past the selfishness of wanting to win the division," he said. "Everyone does. You have to look to the overall picture of baseball, not just now, but the future of the game. You don't think about yourself. You just have to think about baseball."

Iraq Seeks Revenge, on the Soccer Field

The Associated Press

BAGHDAD — At dawn, twice a week, 28 men board a blue bus outside a Baghdad soccer stadium and leave for the sand dunes of the Arabian desert.

They jog in heat of 50 degrees centigrade (122 Fahrenheit). Exhausted, they swim the ancient Tigris River and sometimes the Euphrates. They are Iraqis preparing for the final round of World Cup qualifying.

If Iraq qualifies, the soccer world may see a unique battle — Iraq vs. United States. World Cup finals. June 1994.

"We really want our team to go to America and thrash the U.S. team at least," said Mohammed Adam, a soccer fan in Baghdad.

Inside a heavily protected, specially designed soccer field, the players dribble balls for hours, leap over wooden hurdles and shoot into a goal half the standard size to increase accuracy.

The drive to make it to the 1994 World Cup is being led by Saddam Hussein's eldest son Qadhi, president of Iraq's Olympic Committee. Iraqis compare the team's quest with the country's ongoing struggle against the Gulf War allies.

And, "The Mother of All Battles" — the phrase that Saddam coined days before the U.S.-led allies drove him out of Kuwait, now has a new meaning.

Every Iraqi now waits for The Mother of All Soccer Battles. Iraq surprised the soccer world last month by winning Group A in the first round of Asian World Cup qualifying. It will join five other teams in a second round Oct. 15-28

in Qatar, with the top two finishers gaining a trip to the United States. Many experts think they have a good chance.

"From what I hear they're very good. My European contacts expect them to qualify," said Samit Ghilani, World Cup USA vice president of International Affairs.

Iraq is one of several Asian hopefuls that could pose political and security problems for the American hosts. Iran and North Korea, neither of which have good diplomatic relations with the United States, also remain in the running.

Besides those three, South Korea, Japan and Saudi Arabia also will compete in the second round.

In 1987, Washington, as part of the U.S. Soccer Federation's bid to get the World Cup, pledged visas and work permits for all qualifying teams.

Qualification will not necessarily mean Iraq will play the United States. The 24 qualifying nations will be seeded and placed into six, four-team groups at the World Cup Draw on Dec. 19 in Las Vegas.

Iraq could play the United States in the first round or later in the single-elimination rounds. But if they are not drawn into the same group and one gets eliminated in the first round, they won't meet.

"We are sure to make it to the World Cup and we are doing everything possible for that," said Mohammed Doris, manager of Zawa, one of Iraq's top soccer clubs with 300,000 members.

Soccer is played everywhere in Iraq. In every available patch of land in Baghdad, school children undismayed by the 3-year, UN-

imposed trade embargo, wear torn track suits and juggle soccer balls. There are more than 500 soccer clubs across Iraq and an estimated 100,000 people actually play in tournaments — from the prestigious national league to village events.

"Soccer is in our blood," said Anwar J. Sam, one of the top Iraqi coaches.

At least nine people were killed and 120 wounded during celebratory gunfire in Baghdad after last month's 2-1 victory over China in Chengdu, China, in the first round of World Cup qualifying, a victory which sent Iraq to the next phase.

Understandably, Iraqis won't disclose their strategy for the second phase.

Kim Won Shik, assistant international manager of the South Korea Football Association, sees Iraq as a formidable opponent.

"For South Korea, Iraq is the biggest hurdle to jump over," he said in Seoul.

Iraq played two exhibition matches with South Korea in April, drawing 1-1 and 2-2. Iraq and South Korea qualified for the 1986 World Cup in Mexico — the only time Iraq made the finals.

South Korea is the most World Cup experienced nation of the six hopefuls, making the finals in 1954, '86 and '90. North Korea made it in 1966 and Iran in 1978. Japan and Saudi Arabia have never qualified.

"Iraq is one of the teams that I see as having a high potential," said the Jordanian head coach, Munther Sa'ed, one of few experts who have access to Iraqi training.

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DAVE BARRY

Pork Chop Security

MIAMI — Home security. These are two words that we all should have professionally engraved on our brains...

It was about 1:30 A.M., and the Bondurants were asleep in their second-floor bedroom. Judy was not sleeping soundly, however...

Meanwhile, over on the right-hand side of the bed, Tom could not help but notice that, (a) Judy was screaming, and (b) his foot was touching something.

It was a furry thing," he recalled. Tom did not scream. No sir. It does so good to panic in a situation like that...

Tom and Judy went downstairs and determined that the dog had nosed open their unlocked front door. "We have to get the dog out of the bedroom," Tom said.

He was able to accomplish this by luring the dog outside with a pork chop. The Bondurants then went back to bed, only to discover...

So anyway, Charley went back to his owners, and the Bondurants are thinking about getting a dog. (Why not?) For the rest of us, there are three major Home Security lessons to be learned from this story.

Zap! Pow! Comic Superheroes Go PC

New York Times Service NEW YORK — Look! Up in the sky! It's a bird! It's a plane! It's a foon!

Although foon, a red-and-green-clad comic-book superhero, bears similarities to the Man of Steel, there is one big difference: He's black.

Terence Moran, a professor of communications at New York University who studies the effects of popular images on American culture, said that younger people are becoming more receptive to the world's diversity and are more willing to accept comic-book heroes outside their own culture or sex.

The more diversity you have in any mass-communication form, the better, Moran said. The more people see heroes of all kinds, he added, "the better they'll understand the diversity and complexity of the world around them."

In November, Milestone will begin issuing "Xombie," featuring a Korean-American superhero, and heroes from other ethnic groups are expected to appear in comics produced by the company next year.

Gay characters are also appearing in openly distributed comic books. Northstar, a character in Marvel Comics' "Alpha Flight," declared his homosexuality last year.



Denys Cowan, left, and Dwayne McDuffie with black superhero icons.

Marvel's "She-Hulk," the cousin to "The Incredible Hulk," is still going strong after more than 50 issues, along with "Dark Angel" and "Wild Thing," the company's other comic books that feature a woman as the lead character.

Comic books with African-American heroes failed in the past because readers thought that the characters were not authentic, or they were repelled by the stereotypes presented, McDuffie said.

Comic books with African-American heroes failed in the past because readers thought that the characters were not authentic, or they were repelled by the stereotypes presented, McDuffie said.

PEOPLE

3,000 Thai Policemen For 'Dangerous' Star

Bangkok is not taking any chances: More than 3,000 troops and police will guard the stadium when Michael Jackson launches his "Dangerous" world tour in Asia on Aug. 24 and 25.

The German town of Passau has won its first battle against Anne Rossmas, the subject of the film "The Nasty Girl" which portrays the reactions of hostility and rage among Passau's citizens as Rossmas began digging up Nazi links.

The Spanish soprano Montserrat Caballe, 60, should be out of the hospital in a day or two, a doctor said in Barcelona, where she was hospitalized with minor heart problems.

Prince Charles plans to launch a monthly magazine on one of his passions — architecture — and will write regular articles for it. The magazine is to appear in March.

General Colin L. Powell, the chairman of the Joint Chiefs of Staff, is so confident about his future earning potential that he recently put a contract on a McLean, Virginia, house that sold for well over \$1 million.

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WEATHER

Table with weather forecasts for Europe, including High, Low, Wind, and Wave data for various locations.

Forecast for Sunday through Tuesday, as provided by Accu-Weather.

Table with weather forecasts for North America, Middle East, Latin America, and Oceania, including High, Low, Wind, and Wave data.

Table with weather forecasts for Asia, Africa, and North America, including High, Low, Wind, and Wave data.

THIS WEEKEND AT THE BEACH

Large table with weekend weather forecasts for Saturday and Sunday, including High, Low, Wind, and Wave data for various global locations.

If you're going to travel all over the map, here's how to call from almost any point on it.



AT&T Access Numbers table listing international phone numbers for various countries and regions, including AT&T logo and promotional text.